

# Nation's Business

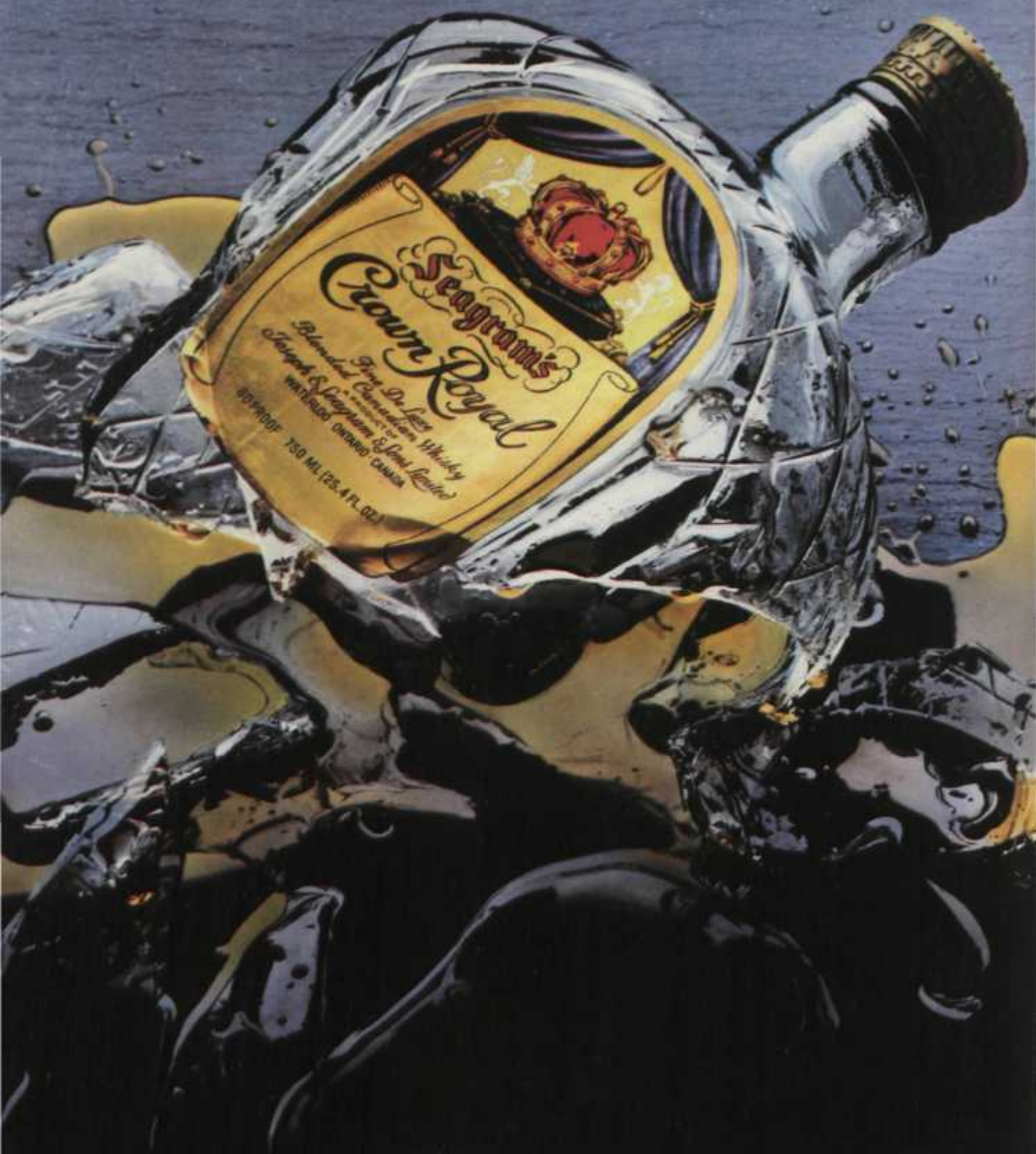
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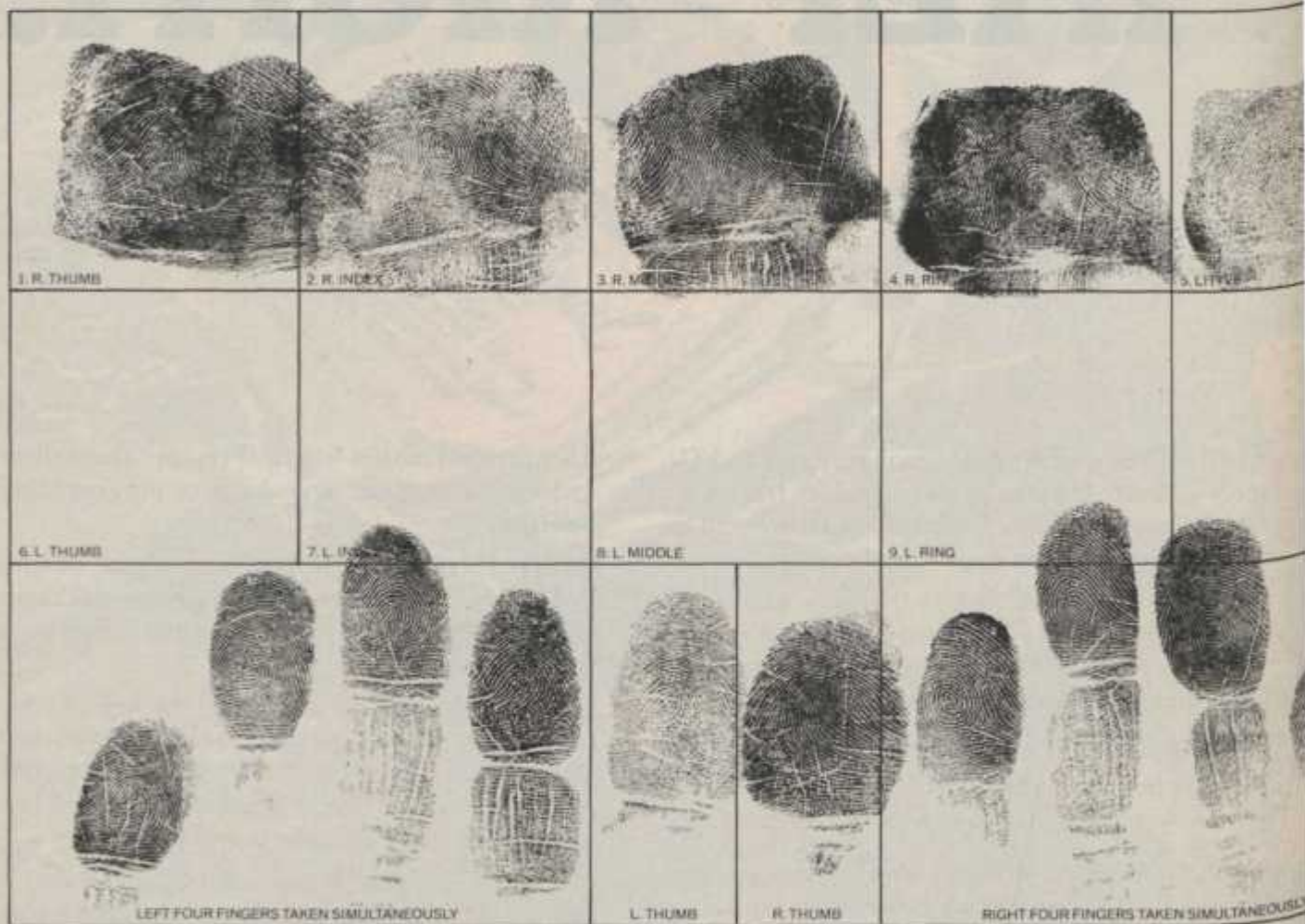
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NB 9/79



# Nation's Business

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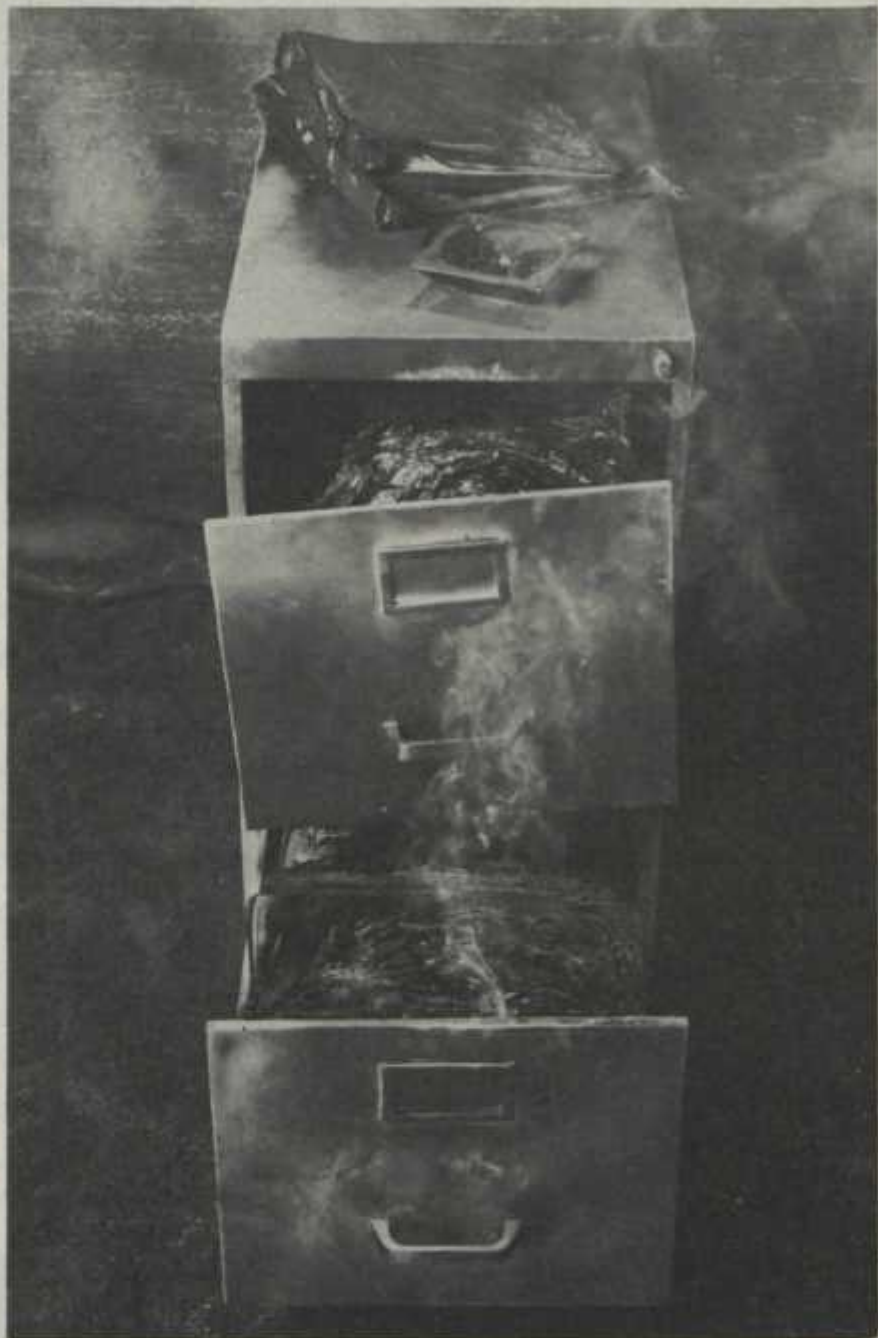
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# The Nation's Business WASHINGTON LETTER

► **YOUR BUSINESS** for at least the next two years will be affected by what Congress does in the next few months. How? Let's take a look:

► **BALANCE THE BUDGET** is a mandate many members of Congress heard during their August recess.

Fresh back from their states this month, members will demonstrate renewed vigor to trim federal spending, at least initially.

But for fiscal 1980, it's mostly too late.

Senate Budget Committee members prior to leaving last month locked in their estimates for fiscal 1980 spending: \$542.5 billion. That figure alone doesn't mean much, but when compared with anticipated revenues of \$514.7 billion, it means a \$27.8 billion deficit.

That deficit level is smaller than the President's proposed budget deficit of \$29 billion, but it's way up from last spring's congressional goal of \$23 billion.

► **CONGRESSIONAL BUDGET DEBATE** centers on second concurrent budget resolution, which must be approved this month.

It is binding on fiscal 1980 spending, but outside forces such as higher unemployment can throw estimates off.

Fiscal 1980 begins this Oct. 1.

► **DEFICIT FINANCING** is a major cause of inflation, say most business people and economists.

But deficit financing will continue through fiscal 1980 and probably beyond. In fact, several Capitol Hill sources say holding the fiscal 1980 deficit to less than \$30 billion will be extremely difficult. Why?

Most economists say America is in a

recession right now and will stay in one at least through the rest of 1979. This should force unemployment up. As unemployment rises, so does federal spending.

At the same time, revenues drop because of less economic activity. The overall result: Deficit financing grows.

► **FIGHTING A RECESSION** involves getting the economy to perk up, say some economists.

One way to do that is to inject a stimulus into the economy to increase demand.

The type of stimulus can vary, but one common form centers on reducing taxes--and pressure in Congress and elsewhere is mounting to do just that.

In fact, the House Budget Committee delayed markup last month on the second budget resolution, partly to wait for further information to see if a tax cut would be necessary. The Senate Budget Committee discussed the idea before the August recess, but rejected it, 11 to 5.

Mostly pushed now by GOP members of Congress, tax cuts being discussed range from \$20 billion to \$40 billion. Any reduction would take effect in 1980, and the biggest part of it would benefit individuals.

► **ADDING STIMULUS** to the economy is the usual way to combat recession.

But in a period of deficit financing, more stimulus--either via reduced taxes or increased spending--means a larger deficit.

Some members of Congress and business leaders argue that stimulus via business tax reductions will benefit the economy overall by spurring increased spending for capital goods. This, in turn, can increase worker productivity, which will



help to lower inflation. Accordingly, business is pushing for a tax cut with about half of it aimed at tax reductions for business.

But the bulk of any tax cut next year, if one occurs, will probably be aimed at individuals--or voters. It's an election year.

NOTE: Full impact of any individual tax cut next year would not be felt for at least an additional year and possibly longer.

► **CRUCIAL DECISIONS** about the economy must be made by Congress this month, and you'll hear increased debate about tax cuts, about stimulus, about more help for the unemployed and underprivileged, about recession, and about inflation.

The debate over inflation may have waned during the gas shortage, but now that gas lines have dwindled, it will heat up again.

And rightly so, for the inflation rate during the first six months of this year, on an annual basis, was higher than it has been since the Korean War.

What Congress does in these coming months will impact heavily on the inflation rate. Some congressional decisions have already been made.

If those who say deficit financing is a major cause of inflation are correct, America may be in for even higher inflation ahead, including all of next year and beyond.

► **LANDLORD RIGHTS** in disputes over a union picketing a tenant's operations may be affected by a National Labor Relations Board ruling.

Issue involves Seattle First National Bank and local of Hotel, Motel, Restaurant Employees and Bartenders Union.

Contract between a tenant--a restaurant--in Seafirst building and union expired. Union subsequently assigned several of its members to distribute handbills in a hallway inside Seafirst building. Hallway is entrance to restaurant and is also used by patrons of other Seafirst tenants.

Seafirst claimed union members were trespassing and threatened arrest. Rul-

ing of NLRB, however, says Seafirst engaged in unfair labor practice by the threat of arrest, that union has right to communicate its actions, including doing so in the common Seafirst hallway. Ruling handed down last month.

► **THAT BATTLE** over who controls public lands--states or federal government--is about ready to hit both the courts and Congress, say sources.

Legal side centers on Nevada law passed recently by state legislature and signed this summer by the governor.

Simply, law says all public lands in Nevada not appropriated are property of the state. But federal government has other ideas. Issue will have to be settled in courts.

Nevada attorney general will handle legalities. Sources say they expect a suit soon, either by Nevada against federal government or vice versa. They add that state has a chance of success.

Most of Nevada, 87 percent, is under federal control. Federal government also controls millions of other western acres.

► **ON CAPITOL HILL**, Rep. James Santini (D.-Nev.) plans to introduce a bill this month or next to require the federal government to sell some prime Nevada land which isn't being used, says a spokesman.

Half of proceeds from sale would be used to buy park land in Nevada; other half would be used for same purpose nationally.

► **BUSINESS GENERALLY** is pleased with choice of new top government officials picked by President and hopes they will help to turn economy around. New lineup:

Chairman, Federal Reserve Board--Paul Volcker. Cabinet officers: Treasury, G. William Miller, moved from Federal Reserve; Energy, Charles W. Duncan, moved from Defense; HEW, Patricia Harris, moved from HUD; Justice, Benjamin Civiletti, promoted at Justice; HUD, Moon Landrieu, former New Orleans mayor; and Transportation, Neil Goldschmidt, mayor of Portland.



## The Rare Backpacking Conservationist

The article on public lands makes some excellent points. ["Land Use or Land Abuse," June]

However, it indicates that few except dedicated backpackers will trek into wilderness areas and that proponents of wilderness selfishly want to set aside a lot of land for a very few backpackers.

The implication is that conservationists are backpackers; they want to lock up wilderness areas for their own selfish use and will deprive the majority of the benefits derived from the extraction of vital mineral and timber resources.

First of all, most conservationists are not backpackers. And, conversely, most backpackers are not conservationists.

Second, backpackers and hikers are not a select few. According to recent studies, hiking ranks as the 14th most

popular pastime of Americans—24 million adults engage in this recreational activity, ranking it higher than tennis and jogging.

Third, wilderness areas are open for use by fishermen, cross-country skiers, canoers, kayakers, river floaters, and hikers as well as backpackers.

Once designated as wilderness, an area tends to get such increased recreational use that it is usually necessary to limit the number of people who use it at any one time. That would seem to challenge the notion that only a very few backpackers will ever trek into wilderness areas.

WILLIAM KEMSLEY  
Executive Editor  
Backpacker Magazine  
Bedford Hills, N. Y.

### Overthrust belt

Your otherwise excellent article on America's public lands contained sev-

eral misleading statements about wilderness studies in the Rocky Mountain Overthrust Belt.

It is true that only five percent of the belt has been designated as wilderness. However, the rest is not open to development. Nearly ten million acres—25 percent of the area—have been closed to energy exploration and development since 1972 by RARE II and other wilderness studies and designations.

All together, according to the Interior Department, 47 percent of the federal lands in the belt's most productive area are effectively closed to oil and gas development.

The overthrust belt already has proven reserves of 500 million barrels of oil and four trillion cubic feet of natural gas. Estimates of potential resources have ranged as high as 15 billion barrels of oil and 100 trillion



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# It's reassuring to know the Mercedes-Benz 240D can take you farther on a tank of fuel than any other car sold in America

**O**n the one hand, it is pure Mercedes-Benz—with all the quality and integrity the name implies. On the other, the 240 Diesel costs \$5,000 less than any other Mercedes-Benz—and can take you 633 miles on a single fill-up. Read how the 240D can gratify both your pocket-book and your love of fine cars.

Relentless efficiency is the Mercedes-Benz 240D's mission in life. From its stouthearted Diesel engine to its four-speed manual transmission to its wind-cheating, aerodynamically "clean" body shape, it is an enemy of waste in all its forms.

But what sets the 240D apart is the fact that these efficiencies are rendered by a solid, 1½-ton automobile that doesn't look or feel like any "economy" car you have ever known.

## No corners cut

Certain costlier Mercedes-Benz sedans sit on a 110-inch wheelbase and share a body shell notable for the spaciousness of its interior and its trunk. That same wheelbase, that same body form the basis of the 240D.

It is full-blooded Mercedes-Benz in its technical advances too. The fully independent suspension, four-wheel disc brakes and superb power steering system fitted to those costlier sedans are also fitted to the 240D. As are power brakes, a central vacuum locking system, even a quartz-crystal chronometer. And every painstaking step of workmanship and finish that those other models undergo, the 240D undergoes.

## What's in a bread box?

Consider the mechanical heart of the 240D. It is a four-cylinder Diesel engine whose 146.4 cubic inches of displacement would barely fill the average bread box. But what feats the engineers make it perform:

- It is strong enough to propel this substantial automobile along hour after hour at American highway

speeds, yet so finely balanced that you cruise along at 55 mph without a hint of Diesel vibration or "knock."

- It can be driven for thousands upon thousands of miles without needing a conventional tune-up. Most engine parts that would need to be tuned up aren't there: no carburetor, no spark plugs, no distributor, no points.

- It runs on Diesel fuel, still America's cheapest automobile energy source. And despite its 1½ tons, it delivers an estimated *thirty miles per gallon*. This is the EPA estimate for a 240D equipped with a 4-speed manual transmission. *Remember: Compare this estimate to the 'estimated mpg' of other cars. You may get different mileage, depending on how fast you drive, weather conditions, and trip length.*

This mileage and a 21.1-gallon tank create a driving range so vast that it is possible to go from New York to Washington, sightsee, then turn around and go back to New York again—all on a single fill-up.

## Efficiency is standard

The 240D's four-speed manual shift and its lack of power accessories both reduce initial cost and increase running efficiency. But if this seems a touch too austere—if you choose the comforts of air conditioning and electric windows and automatic transmission over the economies created by their absence—you can order them as extra-cost options. You will still be driving a frugal-hearted car.

## 120 safety features

In your 240D, the doors are a safety feature. The steering column and wheel are safety features. The glove-box door lock is a safety feature. Even the profile of the taillight lenses is a safety feature—designed to help swirl slush or mud away in the airstream as the car moves along,

keeping your brake lights visible to following traffic.

## Satisfying sensations

The 240D is a richly satisfying car to drive because it is intelligently engineered down to the fine points.

One fine point is zero-offset steering geometry. Simply put, it helps the car maintain a straight line even as you thunder over potholes. Another is the shock absorber fitted into the steering mechanism, to blot up thumps that might otherwise jar your hands on the wheel.

## Unrivalled resale value

There are some things that the 240D *cannot* do. For instance, it cannot depreciate drastically in value overnight.

The happy fact is that, over the past five years, Mercedes-Benz 240D Sedans have been shown to retain over 80 percent of their original value.

## A Diesel down to its soul

Finally, the 240D comes from the company that has spent more years building Diesel automobiles and has built more of them (two million and climbing) than any other company in the world.

Mercedes-Benz sees significant differences between a Diesel car and a car with a Diesel engine. The 240D is designed as a Diesel to the core, its every major component matched to the unique demands of Diesel operation.

In sum, the 240D is for people who are seriously concerned with driving efficiency. And Mercedes-Benz has been seriously concerned with building Diesel cars, not for four years or so but four decades or so.



*The 240D can take you 633 miles on a single fill-up.*





Here's one kind of calculator that's rolling up more than plain paper tape.

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cubic feet of natural gas. By keeping these resources locked up, the preservationist groups are guaranteeing that we will suffer through more fuel shortages, higher prices, and worsening inflation caused by steadily increasing imports.

GEORGE S. DIBBLE  
Vice President  
Husky Oil Co.  
Cody, Wyo.

### A third force

The controversy regarding the designation of wilderness areas is more than just wilderness versus development. The critical issue of man's right to leisure time and opportunity for recreation is also involved.

Unfortunately, preservationist groups have been extremely successful in couching complex natural resource decisions in simplistic, emotional terms and in creating the impression that only two sectors, commodity producers and themselves, were affected.

This self-serving effort has left the average American unrepresented. The wilderness issue affects every person who enjoys recreation by boat, horseback, snowmobile, motorcycle, recreational vehicle, or hiking.

By and large, all these outdoor enthusiasts will benefit from skillful management of public lands to accommodate their diverse needs. They represent a new centrist alliance in public land issues.

W. T. JOBE, JR.  
Executive Vice President  
International Snowmobile  
Industry Association  
Washington, D. C.

### Landlocked resources

The excellent article on land use gets to the heart of the problem. However, the statistics on off-limits public lands are considerably understated when one considers all forms of governmental closure of lands, including the limbo status of vast acreages where companies are unwilling to explore or develop because the final designation of the land is unknown.

By 1968, 15 percent, or 113.6 million acres, of U.S. public lands had been closed to mineral exploration as a result of the establishment of national parks, wildlife refuges, military reservations, and wilderness areas. By 1974, the amount of public land set aside had increased to 53 percent (393 million acres), and another 14 percent (103 million acres) was severely restricted.

It is estimated that by the end of 1979, at least 68 percent (504.7 million



acres) of these lands could be closed. This is an area nearly the combined size of Colorado, Wyoming, Utah, New Mexico, and Nevada.

These alarming statistics do not tell the whole story. The Forest Service has until 1985 to produce a land use plan. Until then, it can regulate and restrict mineral exploration on public lands it believes may be better suited for other uses.

Also, there is an enormous amount of land on which development would be severely restricted because of proximity to existing or proposed national parks, wilderness areas, and wildlife refuges, with their strict standards for minimal air, water, noise, and visual impact.

We are unquestionably a resource consumptive people. However, this heritage has given us an unequalled life-style and freedom of choice. Moreover, modern technology is capable of using natural resources with increasingly less impairment to the environment. Public lands must remain accessible for natural resource discovery and development if our economy is to maintain its vitality.

DAVID L. STEVENS  
Vice President  
Freeport Exploration Co.  
Denver, Colo.

## Art in Germany

Your article on business's support of the arts particularly interested us in Germany. ["Business and the Arts Make a Perfect Match," May]

Last year, Commerce Secretary Juanita Kreps dedicated a kinetic sculpture by George Baker as a gift to the West Berlin Operahouse from the U. S. business community in Germany. The occasion was the 75th anniversary of the American Chamber of Commerce in Germany.

Business support for the arts from European companies is largely unknown. The U. S. business community is showing the way overseas.

ROBERT S. MACKAY  
Vice President  
American Chamber  
of Commerce in Germany  
West Berlin

## Not just wives

The article, "Candid Camaraderie With the Women of Washington" [June], made the statement: "Women of Washington. The term is usually used to describe the high-powered wives of household names in government."

There are many women of Washington who are there on their own, not due to any marital relationship. They are in government service, either elected or appointed, and they are in business. If the term "women of Washington" means only "high-powered wives" to your magazine, then it is about 20 years behind the times.

Women in business and in government are here to stay; we are not going to disappear. If your publication sincerely wants to "lead the effort to strengthen the private enterprise system to advance human progress," as your masthead proclaims so grandly, then I suggest you include women in that effort, not just wives.

KAYE HOBSON  
San Diego, Calif.

## Stereotyping women

The article, "Candid Camaraderie With the Women of Washington," furthers the stereotypical image of women as frivolous, silly, and only nominally interested in issues. I suspect that had this been a meeting of men, you would have reported the discussions on the "issues important to the audience." As it was, you merely

listed such issues at the end of the article—perhaps as an afterthought, in an attempt to legitimize an otherwise ridiculous nonreport.

Surely there are women of Washington—even those who are wives of policy-makers—who carry on business.

More and more women are moving into positions of power in the nation's businesses. Your publication would seem to be a fine forum for review and discussion of their impact.

STACY S. MILLER  
Chapel Hill, N. C.

## Guest parking

Enjoyed your article on the state of the lodging industry. ["Lodging: More Room at the Inn," June] The piece pulled together many pertinent facts all of us in the industry can use. They'll be of particular help to me when writing the many speeches our executives are asked to deliver.

I chuckled at your lead. Last summer, we visited an inn in Lexington, Mass., and were shown the tree where George Washington parked his horse.

KAREN BLECHA  
Manager-Corporate Information  
Hyatt Hotels Corp.  
Rosemont, Ill.



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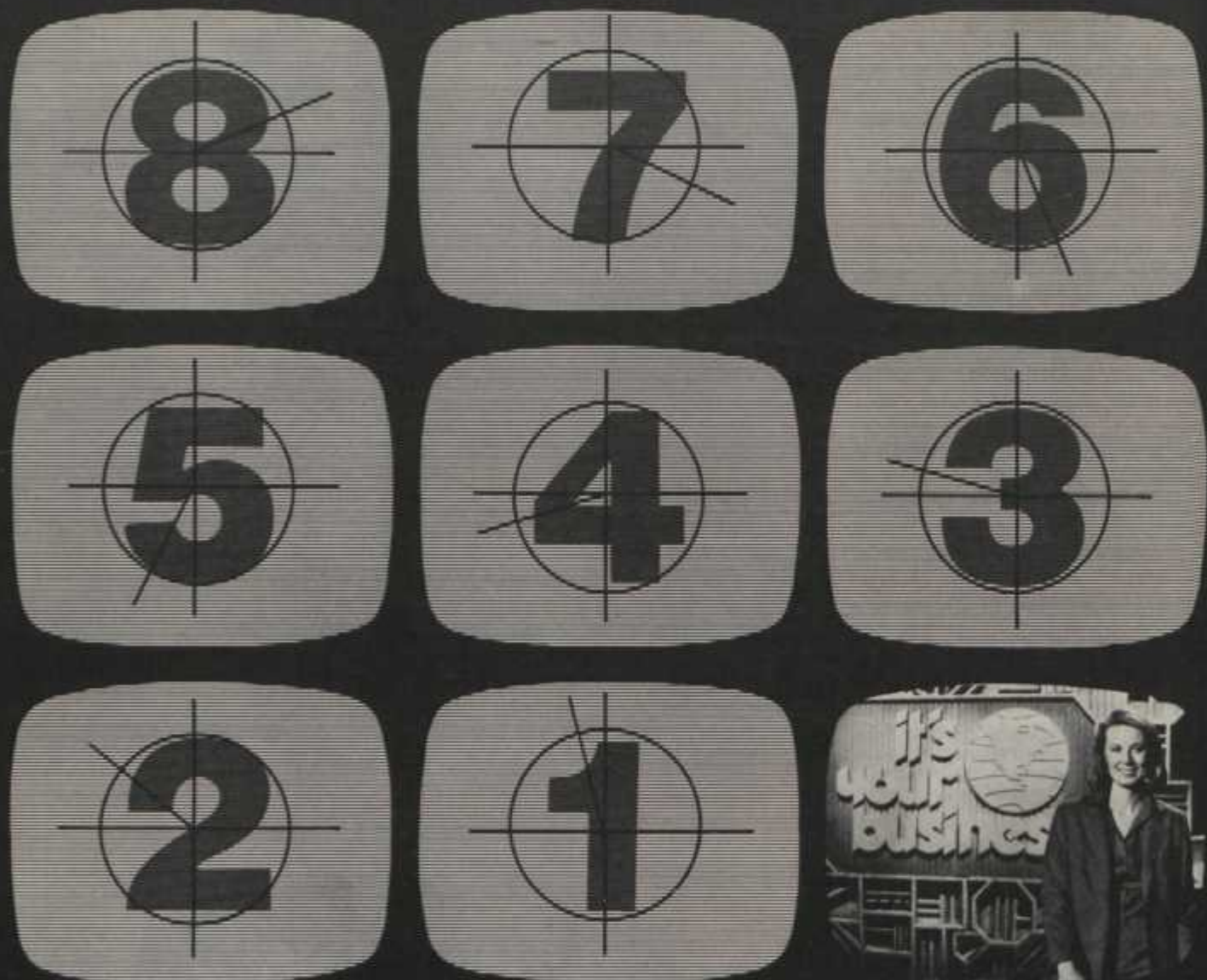
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## Farewell the Lollipop

**S**EVERAL WEEKS AGO, the Food and Consumer Services wing of the Agriculture Department propounded a final regulation dealing with the sale of competitive foods in our public schools. Barring some unlikely intervention by the Congress, the rule will become effective in January. In terms of its impact upon society, the decree is of minimal importance, but it provides a wonderfully comprehensible example of what ails us. Consider the licorice stick, the sour ball, the lollipop; and consider the power, might, and majesty of the U. S. government as it wages war upon them.

The pending decree stems from the old national school lunch program and its younger cousin, the school breakfast program. An estimated 92,000 schools participate in these popular federal subsidies. It is beyond cavil that the programs have provided wholesome and nutritious meals to thousands of youngsters who might otherwise have gone unfed or poorly fed.

Ten years ago, various observers began to see a fly in the soup. Some children, it appeared, were passing up the government's spinach in favor of candy, chewing gum, and soda pop that could be obtained from vending machines. Bowing to the pressure of the school lunch lobby, Congress in 1970 amended the basic 1966 act to authorize the Secretary of Agriculture to regulate the sale of competitive foods. The vending machine lobby staged an effective countermarch. In 1972 the act was further amended to leave such regulations to state and local authority. By 1977 the school lunch people had regrouped. Once again Congress gave Agriculture the power to impose regulatory authority. That is where we are now. A decade of furious activity has produced a monument to bureaucratic pettiness.

**T**HE PENDING REGULATION—it is known for short as the junk food regulation—does not ban the sale of competitive foods altogether. Not quite. The rule would prohibit the sale of "foods of minimum nutritional value" until after the last lunch period, and it would prohibit even the sale of the few approved competitive items unless all proceeds inured to the benefit of a school's lunch program or to approved student organizations. An item of minimum nutritional value is defined as an item that provides less than five percent of the U. S. recommended daily allowance for each of eight specified nutrients.

Specifically, the regulation would delay or prohibit the sale of water ices, chewing gum, sour balls, fruit balls, candy sticks, lollipops, sugar wafers, cinnamon candies, jawbreakers, cough drops, gumdrops, jelly beans, fruit-flavored slices, marshmallow bars, candy corn, licorice sticks, spun candy, and candy-coated

popcorn—the whole catalog of children's forbidden fruits. The objectives are threefold: To reduce waste in the government's food service, to reduce or eliminate competition with the federal programs, and to encourage sound nutritional practices among children. When the regulation was propounded for public comment last winter, about 4,200 comments came in. Of these, 80 percent favored the proposal, and of these, 40 percent urged that the proposal be expanded to make it even more restrictive.

**A** DEPARTMENTAL SPOKESWOMAN explains: "Many commentators pointed out that the competitive foods rule was closely related to the new emphasis on nutrition education in the schools. They urged that education must extend beyond classroom activities



and be integrated into the total school environment. Many stated that to teach proper eating habits in the classroom while allowing the sale of foods of minimal nutritional value elsewhere in the school is neither educational nor conducive to the development of good eating habits."

I wrote a column about the junk food regulation in July, ridiculing the proposition as a manifestation of Big Sister maternalism. My mail almost exactly paralleled the government's mail. By four to one, readers disagreed with me. A reader in Oklahoma City, Okla., inquired if I realized that quite a few children "spend their entire lunch money on junk from these machines." A reader in Birmingham, Ala., warned that my indulgent attitude would lead to cavities in my grandchildren's teeth. A retired dentist in Madison, N. J., said he believed the schools have as great an obligation to teach nutrition as they have to teach the three Rs. And so on.

My perception may be distorted, but I peer into



this gumball machine and see many of the great political issues of our time reflected there. What is the proper role of the federal government? What is the proper authority of the states and localities? Where lies the responsibility of parents for the upbringing of their children? In one fashion or another, we grapple with such issues all the time. Air bags in automobiles, mandated safety features on lawnmowers, labeling requirements on drugs, access to unproved therapeutic agents, racial quotas in schools and colleges, courses in sex education—a hundred examples spring readily to mind.

A long time ago, a great Virginian, George Mason, urged us constantly to recur to fundamental principles. Let me apply a few of these to the lollipop war.

**O**NE OF THE FUNDAMENTAL principles of American government is the principle of federalism. It is stated with magnificent clarity in the Tenth Amendment to the Constitution: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." The amendment buttresses the whole concept of limited federal government. It embraces the idea of the states as experimental laboratories. It suggests the benefits of variety, diversity, and different approaches, and implicitly it warns against the hazards that go with concentrations of great power.

To the extent that it may be said to have a constitutional foundation at all, the school lunch program rests upon the general welfare clause of the Constitution. It would be a work of tortured imagination to ascribe it to the commerce clause. But if we believe in the principles of limited government and state experimentation, surely we should urge that the general welfare clause be sparingly applied. It is ludicrous, or so it seems to me, to see it invoked against the evils of the jelly bean and the lure of a lollipop.

Isn't the sale of food in a public school something that truly might be safely entrusted to state authorities and to local school boards? Congress thought so in 1972. If the might, power, and majesty of the federal government must be invoked to ban such a trivial evil as a gumball in the morning, where is a line ever to be drawn? "Beware of energetic governments," said Thomas Jefferson. "They are always oppressive."

It is a small oppression, to be sure, to require that schoolchildren wait until after 2 p.m. to buy a vitamin-fortified jawbreaker, but a much larger issue is at stake. Our whole theory of government argues against the notion of a central government *in loco parentis*. In a free society, we contend, the government is the servant and the people the masters. We reject the Orwellian nightmare of government as Big Brother, perpetually watching over our shoulders.

**T**O BE FREE—as free as the safety and order of society will permit—means that we must be free to be wrong, to be frivolous, to make unwise decisions as well as wise ones. The government's role, it seems to me, is to protect the people from serious dangers that cannot be readily perceived—botulism in the vichyssoise, counterfeit bills, fraudulent securities.

Proponents of the pending regulation will respond by arguing that there are indeed dangers to the child

in the invidious cupcake, the horrid marshmallow bar—dangers of cavities, dangers of obesity, possibly a lifelong addiction to foods that fail to measure up to the recommended daily allowance of nutrients. Agreed. But surely parents have a primary responsibility to look after these dangers themselves.

**M**Y STRONG IMPRESSION is that we have gone much too far as it is in yielding effective authority over the child to the public schools. Sex education, driver education, drug education, nutrition education, brotherhood education—the duties piled upon our public school teachers are unending. And in the process, we undermine parental authority and breed the undisciplined permissiveness that plagues our urban society.

I am not arguing a case, you will understand, for the Mooey-Wooey-Gooley bar, the one with marshmallow cream in the middle. I am arguing a case for freedom. I hold, quite simply, that as long as an individual's personal conduct does no significant harm to anyone else, the individual should be free to go his own way. In that regard it is arrant sophistry to respond that if a child's teeth fall out from junk food, a school dentist will have to provide treatment; a school dentist will cost the taxpayers money, and therefore, the child must be forbidden easy access to junk foods in the first place. On that line of specious reasoning, every conceivable form of personal folly or individual taste may be forbidden by the omnipotent state. Better the Mooey-Wooey-Gooley bar.

With every passing generation, our remaining islands of individual responsibility shrink in the rising tides of statism. Like it or not, we are soon to be compelled to buy air bags in our automobiles. Terminal cancer patients, thanks to the Food and Drug Administration and the Supreme Court, may be denied a harmless elixir even if the patients know the stuff has no proven value. In the holy and invincible name of health and safety, we are swathed in public regulations. Workers on construction sites must wear ear plugs, even if the plugs prevent them from hearing the backup horns of big equipment.

**W**ELL, IF CHILDREN are never permitted to get in over their heads, they never will learn to swim in the deep end of the pool. And if children are constantly admonished to be good, to eat only wholesome foods, and never to squander their allowances on worthless things, we will breed a generation of docile sheep to be tended by government shepherds. Or as an alternative, we will invite the inevitable explosion of desires too long suppressed.

It is, as I said at the outset, no big deal—which is why the U. S. government ought not to be involved in it at all. I hope my grandchildren grow up with strong teeth and sturdy bodies, and from the look of things at ages three, six, and nine, they seem to be doing fine. But I want them also to grow up with decision-making power, in the bureaucratic phrase, over their own spending money. And if they choose to spend their nickels, dimes, and quarters on the pure bliss of a spun candy cone or the unmitigated joy of a cherry sour ball, I would not have Big Government interfere with that choice. Up with the lollipop! And down with regimentation. □



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## THE ECONOMY

## Gas Users Switch Back From Oil

Many industrial gas users who switched to oil during the mid-1970s because of curtailments are now switching back—and helping to ease the nation's dependence on foreign oil suppliers.

"The gas utility industry offset an average of 395,000 barrels a day of imported oil from January through May 15 of this year," according to Leonard W. Fish, senior vice president of the American Gas Association.

The gas industry expects to increase that to an average of 483,000 barrels a day through the remainder of this year. By year-end, the average will be about 450,000 barrels a day of imported oil offset by increased natural gas usage, says Mr. Fish.

"This translates into a potential savings of about \$3 billion in foreign oil payments a year."

The improved price competitiveness of gas compared with fuel oils, the increased availability of natural gas, and encouragement from the federal government are the major reasons for switching from fuel oil to natural gas.

Gas curtailments to American industry between 1973 and last year amounted to 2.1 trillion cubic feet, according to Benjamin Schlesinger, AGA's vice president for policy evaluation.

"About two thirds of that was replaced by oil, largely because of regulatory action."

A recent AGA study indicates that gas could ultimately displace up to 1.7 million barrels of oil a day.

## Executive Hiring Slowdown Reported

Gains in executive hiring slowed for the third consecutive quarter, according to a report by Korn/Ferry International, an executive search firm.

Despite the slowed hiring rate, President Lester B. Korn says, an over-

all increase in hiring "shows there is a lot of strength in the economy." But he estimates that hiring of executives below the \$45,000 salary level is down by 11 percent from 1978. The usual situation is that middle management posts go unfilled during recessionary periods while corporations continue to hire senior level executives, he says.

A demand for finance executives—up 20 percent from last year's 13 percent—is a recessionary sign, he says, because corporations seek to strengthen their financial controls and balance sheets in anticipation of tougher times.

Manpower, Inc., a worldwide temporary help firm, reports that "hiring expectations for the next three months are sharply lower than those recorded

for the same period in each of the past three years."

Manpower President Mitchell S. Fromstein says the hiring dip is found in all regions of the country and in most industries, especially the wholesale, retail, and construction trades.

## INTERNATIONAL

## Third World Slowdown Will Stunt U. S. Exports

Slow economic growth in developing nations will mean slow growth for U.S. manufacturing exports in the next decade.

This forecast from Chase Economet-



During the 1980s, three problems—slow growth, high debt, and protectionism—will hinder U. S. exports to the Third World, according to a Chase forecast.



ric Associates, a subsidiary of Chase Manhattan Bank, hinges on three problems of developing nations.

Chase economist James McCabe says: "First and most basic is sluggishness in their major markets, the developed nations. Second is increasing protectionism in these same markets. Third is the high level of external debt built up in the developing countries during the last recession."

The effects of the predicted Third World economic slowdown—average real growth of 4.3 percent through 1987 compared to 6.3 percent from 1961 to 1973—will be a smaller market for U.S. technology, lower domestic growth, and higher unemployment, Mr. McCabe says.

## SMALL BUSINESS

### Exemption From OSHA Rules Proposed

The Senate Labor and Human Resources Committee will soon consider a bill to exempt small businesses with good safety and health records from Occupational Safety and Health Administration regulations.

The bill, introduced by Sen. Frank Church (D-Idaho), applies to any owner engaged in a nonhazardous business employing ten or fewer people.

Under present law, entire industries are subject to OSHA inspections and record keeping.

"In my judgment," says Sen. Church, "that inherent flaw in the OSHA act calls out for correction."

The bill also applies to family farms with fewer than ten employees.

### Ten-Year Decline in Innovation Found

The Small Business Administration predicts a gloomy future for small business in innovation and technology.

This conclusion of a dual agency task force effort to identify problems facing small innovative companies coincides with the White House review of productivity in the economy.

A report by the SBA and Commerce Department describes a serious ten-year decline in innovation among small firms. The report blames this decline on government regulation and a lack of sensitivity regarding procurement and research and development contracts.

The report says small business is responsible for 60 percent of total U.S. research and development. A National Science Foundation study shows that small firms produced 24 times more major innovations per research and development dollar than large firms.

"Yet the vast majority of federally funded research and development is conducted by large businesses, at universities, and in government laboratories, with small business receiving less than four percent of these funds," the report says.

To correct these problems, the task force recommends that: Government regulations give special consideration to smaller firms; each federal agency and department target a one percent increase in research and development procurement; small firms be allowed to buy back patent rights on inventions created under federal subsidy; and tax incentives to encourage risk-taking be implemented.

The White House domestic policy staff will consider the SBA task force suggestions, according to a White House source.

The SBA report and eight other task force reports reflect the overall concern with the decline of innovation and technology, the White House source says.

## GOVERNMENT

### OSHA Data Gathering Dust, Says Report

The Occupational Safety and Health Administration has extensive statistics on the causes of work-related accidents but is not using the information, says the General Accounting Office.

"Because of this, OSHA does not know to what extent fatal accidents might have been avoided had safety and health regulations been enforced, what standards need to be developed or revised, and what violations cause death or serious accidents," says the GAO in a recent report.

"Congress intended that OSHA give priority to eliminating or reducing the causes of deaths and disabling injuries," says the agency, adding that the 5,000-plus serious accidents investigated annually by OSHA and state compliance officers "produce the most complete and relevant information available on the causes of the most serious workplace accidents."

"OSHA codes information from its accident investigations and places it in a computerized data system."

"However, the coded information does not provide the detail needed to identify accident causes and trends accurately," the report says.

The GAO recommended in part that OSHA use its information collection and filing systems more effectively. OSHA responded that because of budget restraints additional concentration on information gathering could diminish efforts in other areas.

### Windfall Profits Tax Likely to Be Amended

The petroleum industry may win one or more amendments to the proposed windfall profits tax bill before the final version is hammered out in Congress this fall.

According to Sen. Russell B. Long (D-La.), chairman of the Senate Finance Committee, possible amendments include exempting new oil, stripper and tertiary recovery wells, and independent or very small companies from the tax measure.

"Independents are putting nearly 100 percent of their gross income back into production," he says. "I believe some amendments will be agreed to."

Before the bill went to the Senate,



Sen. Long predicts the final windfall profits tax bill will carry amendments favorable to the domestic oil industry.



# OUTLOOK

the House reduced the windfall profits tax rate from 70 to 60 percent, which means that about \$35 billion resulting from price decontrol would be diverted to the government.

## Workers' Compensation Laws Gain in States

State workers' compensation laws have increased 40 percent in the past six years to implement coverage suggested by the National Commission on State Workers' Compensation Laws.

In 1972, when the presidential commission released its findings, only about 37 percent of 19 so-called essential recommendations had been enacted into state law. Today, that figure is more than 77 percent, reports the Chamber of Commerce of the United States.

"These statistics indicate that the states are redoubling their efforts to correct shortcomings in their workers' compensation systems," says Eric J. Oxfeld, the National Chamber's associate director for employee benefits.

Chamber figures show that all states provide unlimited medical benefits and coverage for occupational disease; all but two states provide total disability benefits calculated at two thirds of a worker's weekly wage; and coverage for private employment is compulsory in all but three states.

## PERSONAL

### Women Executives Unsure About Job Relocation

Women executives offered the chance to move up in pay and position by relocating are apprehensive about taking the step.

This apprehension about moving is most prevalent among married women, according to Weston Edwards, chief executive of Merrill Lynch Relocation Management, Inc.

American corporations spent about \$3 billion to transfer more than 300,000 employees in 1978; female executives accounted for only five to eight percent of the transfers.

## A Computer in Every Home?

Will computers ever be standard equipment in homes? Yes, says a computer expert at the University of Texas, although the timetable for home computers being as common as television sets is uncertain.

"People will find all kinds of inventive ways to use computers," says Alfred Dale, chairman of the Austin Computer Sciences Department at the university.

"There seems to be no end to growth," Dr. Dale notes.

Since the mid-1960s when computers came of age, technological innovation and product demand have continued to increase rapidly. The computer that cost \$1 million 15 years ago now bears a \$10,000 price tag, he says, and the machine that used to fill a whole room is a desk console today.

## New Bonds Will Sell for Half Value

New Series EE savings bonds to be issued in January will bring some added benefits to small savers, along with the convenience of payroll deduction.

The new bonds will be priced at one-half their face value, or \$25 for a \$50 bond. They will mature in 11 years, and rounding off the date of maturity will bring the interest rate to slightly more than the stated 6.5 percent.

The interest is free of state and local

income taxes, and before maturity, interest need not be reported on federal taxes.

Calculations made by the Treasury, assuming an eight percent state income tax, show surprising yields for people who buy bonds while in a high tax bracket and cash them in at a lower tax bracket. A saver who bought in a 50 percent bracket, for example, and cashed the bonds in at a 25 percent bracket would have gains equal to taxable interest of 10.96 percent a year for five years or 12.66 annually over 40 years.

## AGRIBUSINESS

### Amendments to Ease Farm Financing

Family farms and businesses that furnish farmers with custom services will find it easier to obtain financing if the Farm Credit Administration adopts a set of proposed amendments.

The amendments would remove certain restrictions on farm-related financing, allow federal land banks to pay interest on future payment funds received from borrowers, and modify current policies on loan security. Examples of custom services include grain handling and feed processing.

"The system is there to serve rural America, and it wasn't doing an adequate job," says an FCA spokesman. "These amendments will help elimi-



Amendments being considered by the Farm Credit Administration would make it easier for America's 500,000 family farms to obtain financing.



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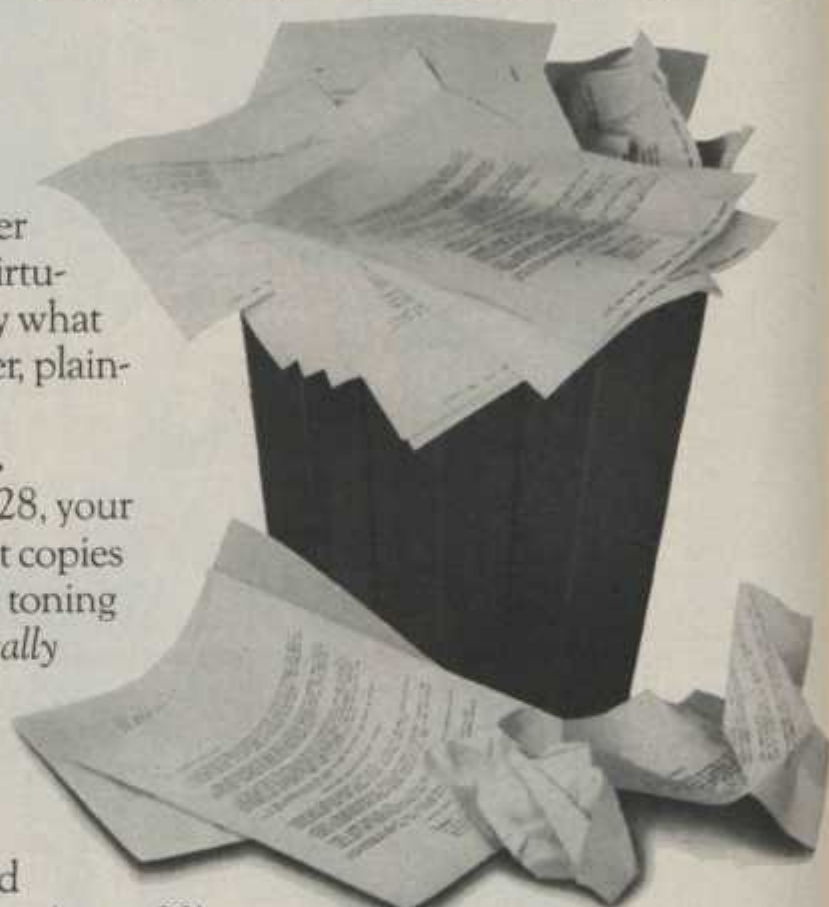
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# OUTLOOK

nate some of the cumbersome regulations."

The Farm Credit Administration provided about one third of all the credit used by American agriculture in 1978. Federal land banks last year served 504,531 family farms.

## CORPORATIONS

### New Rule Protects Economic Forecasts

Corporations have sometimes been wary of issuing economic projections because they may be held liable for an erroneous forecast. Now a "safe harbor" rule adopted by the Securities and Exchange Commission will limit liability.

The rule is designed to encourage corporations to make economic projections voluntarily. The forward-looking information must have a reasonable basis and be disclosed in good faith.

"Some companies may still feel some reluctance; it's difficult to judge at this time," says an SEC spokesman. "The main idea is to assure companies they aren't going to be jumped on if they make an honest mistake."

The safe harbor rule protects projections of economic performance, management plans and objectives, and certain financial information.

### Merger Fever Running High, Study Finds

There's no relief in sight for merger fever, according to a study conducted among chief executives of 130 leading U.S. companies. Yet in Congress, there is strong antimerger sentiment, now targeted at the major oil companies.

An earlier bill would have halted all large mergers, but that legislation was replaced by a proposal to prohibit mergers by the 16 largest petroleum companies with any other company in the \$100 million size.

Supported by the Carter administration, the antimerger oil bill is likely to come before the full Senate this fall.

The bill would pave the way for similar legislation in other industries, according to opponents.

Meanwhile, the Gallagher Presidents' Report says that three of four U.S. corporations contemplate making an acquisition this year. Fifty-three percent of executives responding to the study cited improved share of current markets as the key reason for acquisition. Diversification is the goal of 47 percent of the executives, and 35 percent are interested in consumer product businesses.

Smaller companies are the primary target. About 51 percent of the responding companies, with estimated 1979 sales averaging \$603 million, are looking for candidates in the \$5 million to \$25 million sales range.

## TRENDS

### Reusing Old Buildings Can Save Energy

Renovate or replace? That decision normally depends on complex market and financial analyses.

Now, a study by the federal Advisory Council for Historic Preservation introduces a new concept: Reusing old buildings to save energy.

The key is the energy investment required to produce, transport, and install building materials.

For example, it takes the energy equivalent of one gallon of gasoline to make, deliver, and lay eight bricks. Preserving eight old bricks instead of making new ones, the study notes,

means the energy of a gallon of gas can be used for other purposes.

The study estimates that the renovation of the 80,000-square-foot Grand Central Arcade hotel in Seattle, Wash., saved the equivalent of 700,000 gallons of gasoline.

### Survey Finds Drop in Time Worked

The reason that American productivity has been declining steadily for the past 30 years, say researchers at the University of Michigan's Institute for Social Research, may be that Americans are spending less time actually working in a normal workweek.

Researchers compared institute surveys in 1965 and 1976, which involved respondents' own reports of time use, and time diaries in which respondents were asked to keep track of their time use over a specific 24-hour period.

Time diary estimates show a decline in actual hours worked for all groups in the labor force except unmarried women. Moreover, researchers say, respondents who attempted to recall their past time use tended to overestimate, but time diaries prevented this problem.

The decline in actual work, coupled with discrepancies between the two methods of measuring hours worked, may explain up to one third of the decrease in the growth of American productivity, says institute researcher Frank P. Stafford.

The rate of productivity growth in the United States is now about one percent a year. □



American workers are spending less time actually working at their jobs, say researchers. This trend accounts for the steady decline in productivity growth.



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The end of the trail for all but two of the presidential candidates will be the Republican and Democratic conventions next summer.

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Oratory on the aims and aspirations of a political party or on the merits of a particular candidate is the staple of any political meeting.

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Some are for the candidate, and some are for nobody.

Whistle-stop campaigning by train is popular again. In 1976, then-President Ford stumped several states by rail.



# Campaign '80: Ready or Not, It's Here!

Pocketbook issues, special interests, voter apathy, and at least a dozen candidates vying for the nominations

By Vernon Louviere

**F**ROM PICTURESQUE little towns in New England to retirement centers in Florida, from coal mining communities in West Virginia to the wheat farms of South Dakota, voters are troubled over the direction their country has taken.

They have problems coping with inflation. They don't understand why we seem to have run out of energy overnight. They are baffled about what the federal government is doing or not doing to get the country moving again. They grouse about taxes and about too much government. They worry about the future. Many yearn for the past.

President Carter is aware of these concerns, of a malaise that seems deeply entrenched in the national fabric. These concerns will accompany voters to the ballot box in November, 1980, when they choose a president and vice president. They also will elect 34 U.S. senators, 435 representatives, 13 governors, thousands of state legislators and ten of thousands of local officials, ranging from tax assessor to water commissioner.

## **Cherished privilege**

Millions of Americans will exercise the cherished privilege of the ballot, and millions more, for one reason or another, will ignore what is the hallmark of a free society and simply not vote.

How those who do go to the polls

vote, especially in the selection of a president, vice president, and members of Congress, will affect the lives of us all for years beyond the tenures of these elected officials.

The focus of attention will, as always, be on the presidency for it is in that individual's hands that the voters' destinies are largely molded. The voters will determine whether they want to keep President Carter in office for another four years, if he seeks reelection, or whether they want to replace him with another Democrat, a Republican, or the nominee of some other party.

## **Issues and personalities**

To a large extent the outcome of the 1980 presidential contest will be shaped by issues as much as by the political personalities of the individuals seeking the highest office in the land. These will be pocketbook issues—inflation, recession, energy, and unemployment. Assuming there are no major upheavals in the world, foreign affairs will play a relatively minor role.

In President Carter's case, the voters will assess how well or how poorly he has protected their pocketbooks and they will vote accordingly. All other candidates must convince the voters they can do a better job of managing our complex national economy.

Of course, in 14 months many things may change. The economy may im-

prove. The energy crunch may be less severe. Inflation may level off or start to lose its forward surge. The recession may be short-lived. At the moment, however, such prognostications attract few adherents. All signs point to continued economic difficulties well into the foreseeable future. Whatever steps Congress and the Carter administration now agree on to ease energy shortages are not expected to produce beneficial results in time to influence the election.

Voters will be looking after their own self-interests when they step into the voting booth. Farmers will react to how they are faring in the marketplace. Blacks will ask which candidate is most likely to move them further into the mainstream of American life. Business will look for a candidate who convincingly pledges to foster the private enterprise system. Labor will get behind a presidential hopeful it feels will strengthen the role of unions.

## **Voting their cause**

Special interest groups—ranging from pro-abortionists to those who oppose nuclear power—will throw their support to the candidate who declares the strongest commitment to their causes.

In the final analysis, voters will be looking for the kind of political figure who will lead them back to what they perceive, however they define it indi-



vidually, as the American way of life. And that means different things to different people—no lines at the gasoline pump, a home of their own, an opportunity to buy luxury goods, food at prices they can afford, a job, a chance to set aside savings, pension checks no longer eroded by inflation, lower taxes, and less interference from government.

With the elections more than a year in the future, few voters have likely settled on a presidential candidate of their choice. In fact, the man or woman who will be the next president could come from nowhere and win as a dark horse.

### Republicans have announced

More Republicans than Democrats are regarded as active candidates at this point. Actually, the seven men who now are officially in the running and regarded as serious candidates are flying the Republican colors—John B. Connally, former Texas governor and Treasury Secretary; George Bush, one-time Texas congressman, director of the Central Intelligence Agency, and first U.S. diplomatic representative to the People's Republic of China; John B. Anderson and Philip M. Crane, both Illinois congressmen; Sens. Robert

Dole of Kansas and Howard H. Baker, Jr., of Tennessee; and Ben Fernandez, a Los Angeles businessman.

Former California Gov. Ronald W. Reagan, a GOP presidential candidate in 1976, is expected to throw his hat in the ring at any time. Former President Gerald R. Ford has given little hint that he will run, but Ford loyalists refuse to count him out.

### Campaign force ready

On the Democratic side, President Carter is positioning himself to run. He has a campaign force in readiness, and money is being raised on his behalf. There is every indication that he is a candidate and that he will make his intentions known in time for the first presidential trial heat—the Iowa caucus in January—and for the first of the national presidential primaries in New Hampshire in February.

The biggest guessing game in politics today is being played by a man whose name is synonymous with presidential politics—Democratic Sen. Edward M. Kennedy of Massachusetts. He won't say yes, and he won't say no.

Uncertainties aside, no one is readier to leap into the fray than this last surviving son of Joseph and Rose Ken-

nedy. Every popularity poll shows him far ahead of President Carter among Democrats.

The nucleus of a national organization that helped propel his brother John into the White House and was reactivated to elect brother Robert to the same high office before his assassination can move quickly into action for Ted Kennedy.

The expectation is that Gov. Edmund G. Brown, Jr., of California, who ran for the Democratic nomination in 1976, will run again. While the opposition posed by a Carter and a Kennedy would be formidable if both ran, a convention deadlock could move Gov. Brown to center stage for the final balloting.

### If Carter doesn't run

If President Carter should, for example, take himself out of the race several months before the Democrats meet in convention in New York City next summer, he might well throw his support behind Vice President Walter F. Mondale. Despite the fact that Sen. Kennedy now says repeatedly that he will support President Carter for reelection, the President has not seen fit to share kind words with the Massachusetts senator of a sort that would

## What the Candidates Are Saying

**President Carter**—"As a nation we have to recreate a sense of confidence in our leaders and a sense of confidence in ourselves."

**Rep. John Anderson**—"I seek the presidency out of a profound sense of obligation to demonstrate that America is still the last best hope of mankind."

**Rep. Philip Crane**—"My candidacy is a commitment to our future. A restoration of the American dream to its proper custodian—the American people."

**George Bush**—"I wish to seek the presidency . . . because I know that we need a new generation of leaders. Men and women of total integrity who are experienced enough in government and private enterprise to understand the nature of our problems, but also young enough, fresh enough, and energetic enough to overcome them."

**Sen. Robert Dole**—"I believe I could do better. More important, I be-

lieve that my 18 years of congressional experience . . . have provided me with the critical quality almost wholly lacking in the Carter administration: Expertise in the ways of Washington."

**Harold Stassen**—"My number one objective would be to stop inflation and to do it with full employment. I consider inflation to be like arsenic poisoning to a free society."

**Ronald Reagan**—"A sound national defense and a sound economy are both necessary. We can't, as a matter of fact, have one without the other."

**Gov. Edmund Brown**—"I'm trying to get the message across that we can't go on mortgaging the future."

**John Connally**—"I am running for president because I am deeply concerned about the current course of America. On all sides, we see our once proud nation beset with problems, both at home and abroad. I believe there is still time to do something about them. But I am con-

vinced that we must have strong new leadership in the White House."

**Sen. Howard Baker**—"I intend to set this country on a course that we can follow far into the future. I intend to have it said of our generation that we made fundamental decisions that marked the beginning of the most illustrious and progressive era in the history of the American republic."

**Ben Fernandez**—"I believe I am best equipped of all the candidates to be president because I am a graduate economist, a businessman with 25 years of national experience in finance and marketing. Our most pressing problems are essentially economic. And the No. 1 economic problem is inflation."

**Sen. Edward Kennedy**—"I said I am not going to be a candidate. I deal in the realities of the situation, and I think the realities are that President Carter is going to be a candidate. He's going to run, and I think he will be successful."



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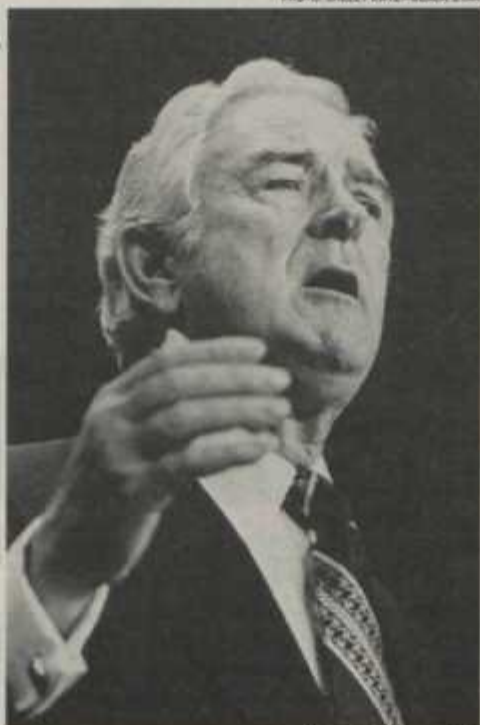
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## THE PRESIDENTIAL SWEEPSTAKES

# Some Who Are Off and Running... Officially and Unofficially

PHOTO: SHELLY KATZ—BLACK STAR



John B. Connally



President Carter



Sen. Howard H. Baker

PHOTO: DENNIS BRACK—BLACK STAR



Rep. John B. Anderson



Sen. Edward M. Kennedy



George Bush

Gov. Edmund G. Brown, Jr.



Ronald W. Reagan

Sen. Robert Dole



Rep. Philip M. Crane



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Pressing the flesh, as he liked to call it, was President Lyndon Johnson's favorite style of campaigning. Most politicians lean to this kind of voter contact, but to reach the masses they must rely largely on television.

remotely indicate Mr. Carter could ever support him as his successor.

The President's feelings toward Gov. Brown are not known to be any more generous. On the other hand, the relationship between the President and the Vice President has been exceptionally close. In fact, Mr. Carter has probably done more to groom his vice president for the top job than any incumbent in modern history.

Normally, the circle of Democratic presidential hopefuls is wider, but as long as Mr. Carter shows signs of wanting a second term, their numbers will remain about where they are.

#### Thirst for leadership

Americans are looking for leadership at the top. Even the President hints that he has not projected the kind of leadership Americans expect of their presidents. After his lengthy Camp David domestic summit meeting to determine how he could strengthen his presidential image, he acknowledged in a televised speech a southern governor's criticism: "Mr. President, you are not leading this nation. You're just managing the government."

Mr. Carter seemed to hit a sympathetic chord in that speech in which he called for a "rebirth of the American spirit." But whatever successes he enjoyed were negated a few days later when he inelegantly fired several cabinet members in a sweeping reshuf-

fle of the administration's high command.

In midsummer, Jimmy Carter, one-time Georgia peanut farmer and Annapolis graduate, found his popularity at almost rock bottom. Except for his accomplishments in foreign affairs—the Egyptian-Israeli peace agreement, support of the SALT II agreement, and the ratification of the Panama Canal treaties—there was not much he could point to with pride in domestic matters.

His relations with Congress had improved little since he took office. His support among blacks, labor, and other large voting blocs that helped elect him had eroded steadily. With minor exceptions, business has never been sure how to read the President.

In all of this, one thing is certain: President Carter may be down, but he is not out. The Harry Truman lesson of 1948 is not lost on him. By simply being President he has points on his side. Successes at home or abroad could send his popularity ratings back into a comfortable range. Not all voters are convinced that Mr. Carter didn't inherit many of these problems. Or that anyone else is better equipped to solve them. He has proven once that he is an able campaigner.

If Congress is a true barometer of public attitudes and is becoming more conservative, voters might be looking for more conservatism in the man they

want to be President. Among the candidates who have already surfaced, voters will have a choice from one end of the political spectrum to the other.

On the Republican side, Ronald Reagan and Philip Crane are strongly conservative. Moving toward the center of the spectrum are John Connally, George Bush, Robert Dole, Howard Baker, and probably the most moderate of the group, John Anderson.

Sen. Kennedy unquestionably is the most liberal of the Democrats, but if Vice President Mondale gets on the bandwagon, he would vie for the liberal vote. Gov. Brown is harder to pin down, but he is probably less liberal than Sen. Kennedy. President Carter's politics put him somewhat left of center, but some distance from the liberal positions of Sen. Kennedy and Mr. Mondale.

#### The business stake

Business, with a large stake in these elections, predictably would appear to be more comfortable with the Republicans than the Democrats who are likely to seek the presidential nomination. And among the Republicans, at this early stage, John Connally seems to be hitting all the right keys to muster business support.

Conversely, business is apprehensive that someone who is perceived to have an antibusiness bias, such as Ted Kennedy, might well be the next President of the United States. Sen. Kennedy, in his relatively new role as chairman of the powerful Senate Judiciary Committee, has hardly endeared himself to business in his public utterances and in the legislation he sponsors or endorses. Not the least of these is his determination to break up the major oil companies.

The senator also feels that the Carter windfall profits tax on oil companies is too lenient. Of broader concern is Sen. Kennedy's sweeping national health insurance plan, which has a price tag of \$40 billion to \$60 billion.

#### Embraced by liberals

If the 47-year-old senator takes the presidential plunge, there is little doubt that he will be immediately embraced by the labor and black votes. That would be his major constituency. Liberals generally would flock to his side.

But if Ted Kennedy gets the nomination, he is not likely to carry the South and would undoubtedly sacrifice large sections of the West and rural Midwest. His strength would be essentially



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in the populous and heavily Democratic Northeast.

A major unanswered question in a Kennedy bid for the Presidency is how much he would be hurt by the drowning of Mary Jo Kopechne in an automobile accident at Chappaquiddick in 1969.

### Connally out early

John Connally launched his campaign last January, almost two years in advance of the election. Only Rep. Crane of Illinois beat him to the starting gate. In the interim, the 62-year-old former Democrat and protégé of fellow-Texan Lyndon Johnson has scored well in Republican appearances around the country. "He comes on strong" is a comment one hears frequently.

Mr. Connally is conservative, although he sees a strong role for government working closely with the private sector. He projects an image of forceful leadership, a quality he sees as one of President Carter's principal weaknesses. He is outspoken, as when he criticizes the Japanese for not easing their stringent import policies. "The United States should tell them to sit on the docks of Yokohama in their own Toyotas, watching their own television sets," he said.

One of his biggest problems, he concedes, is getting the Republican Party nomination. Once that is achieved, he is convinced, he can make a compel-

ling case to the American people to elect him to the White House. Somewhat ironically, Mr. Connally views Ronald Reagan as his No. 1 competitor for the nomination. Mr. Reagan, like Mr. Connally, started out as a Democrat.

As with Sen. Kennedy, Mr. Connally has a nagging episode in his background that could become an issue in his campaign. In April, 1975, he was acquitted by a jury in Washington, D. C., on charges of accepting \$10,000 from a milk producers' group as a pay-off for political favors. When the question comes up today, he usually responds with a standard comeback: "I am the only certified nonguilty political figure, and we'll go from there."

### The ultraconservatives

Ronald Reagan has a hefty following in the conservative community, and that would be the base of his strength in a presidential campaign. In an all out bid for the presidency, Mr. Reagan obviously would want to tone down an ultraconservative image in order to draw support from that broad, middle ground of voters who call themselves independents. Ideologically, he and Rep. Crane are indistinguishable and could split the ultraconservative vote.

Certain to surface in a Reagan campaign would be the question of his age. He is 68 and his 70th birthday would come a few days before the presidential inauguration on Jan. 20, 1981. To-

day, even as a noncandidate, he maintains a speaking schedule that would tax the stamina of much younger men. It behooves him to project the picture of a vigorous, strong, healthy individual because his detractors would turn a mild cold into pneumonia and a missed engagement into something far worse.

### Solid pipeline

Howard Baker, the Republican leader of the Senate, enjoys the kind of forum that could give him a solid pipeline to the voters. Until now, however, he is generally identified in the average voter's mind for only two things—his vote for the Panama Canal treaties and for taking what appears to be a strong stand against ratification of SALT II.

Political analysts are hard put to assess George Bush's chances for the nomination at this time. Like John Connally, he is a former this and that, but occupies no public office from which he can speak out. He is a hard worker, highly respected for his intelligence, impresses audiences with his knowledge of government and foreign affairs, and articulates issues effectively and convincingly. The theme of his campaign is "New Candor," which is somewhat reminiscent of what candidate Jimmy Carter was talking about in 1975 and 1976.

### No identity problem

With a strong base of support in the agricultural Midwest, Sen. Dole has no identity problem with voters. He was Jerry Ford's running mate in 1976 and, as a former chairman of the Republican National Committee, he has the respect of many party officials and workers. His generally conservative views are well-known.

In other times, far less attention would be accorded a presidential election this far in advance of the actual event. Traditionally, presidential campaigns were launched shortly in advance of the early primaries. A relatively obscure Georgia governor and peanut farmer changed all that by heading out into the political hustings long before the first rumblings of the 1976 elections began to roll across the land.

The political pros didn't take Jimmy Carter too seriously. The voters did, and that hasn't been lost on the candidates at the starting gate. □

## The Indifferent Americans

Americans take pride in their political freedom, but they are indifferent about protecting that freedom where it counts—at the ballot box.

Among the advanced nations of the world, the United States has one of the poorest voter turnouts. In the last presidential election, for example, only 54 percent of the people of voting age chose to vote.

Contrast that with voting in some other countries. In recent elections, these percentages of registered voters casting ballots were recorded: Great Britain, 76 percent; Canada, 76 percent; France, 83 percent; Norway, 83 percent; and West Germany, 91 percent.

The fact that Americans don't turn out in similarly large numbers is not necessarily so bad, according to

Richard Scammon, one of the nation's leading political analysts.

"We are inculcated at an early age in this country with the false principle that a big turnout at the polls means good government and a bad turnout means bad government," he says. "Just compare Switzerland and Italy. The Swiss record is poorer than ours, and the Italians always have a high turnout. Would you swap the Swiss government for the Italian government?"

Some countries—notably Australia and Belgium—have heavy voting, but citizens are assessed fines and other penalties for not voting.

Mr. Scammon says the quality of the American vote, while low, has always been adequate to ensure good government.



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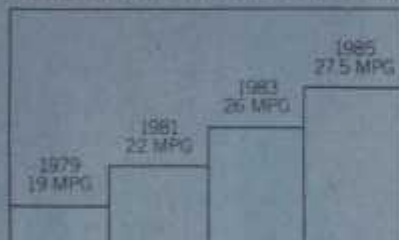
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time, to reduce harmful exhaust gas emissions. And these objectives seem to be mutually exclusive.

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adjusted to give high mileage tends to produce unacceptable levels of pollution. The same engine, adjusted for low pollution levels, uses more gas and gives disappointing performance.

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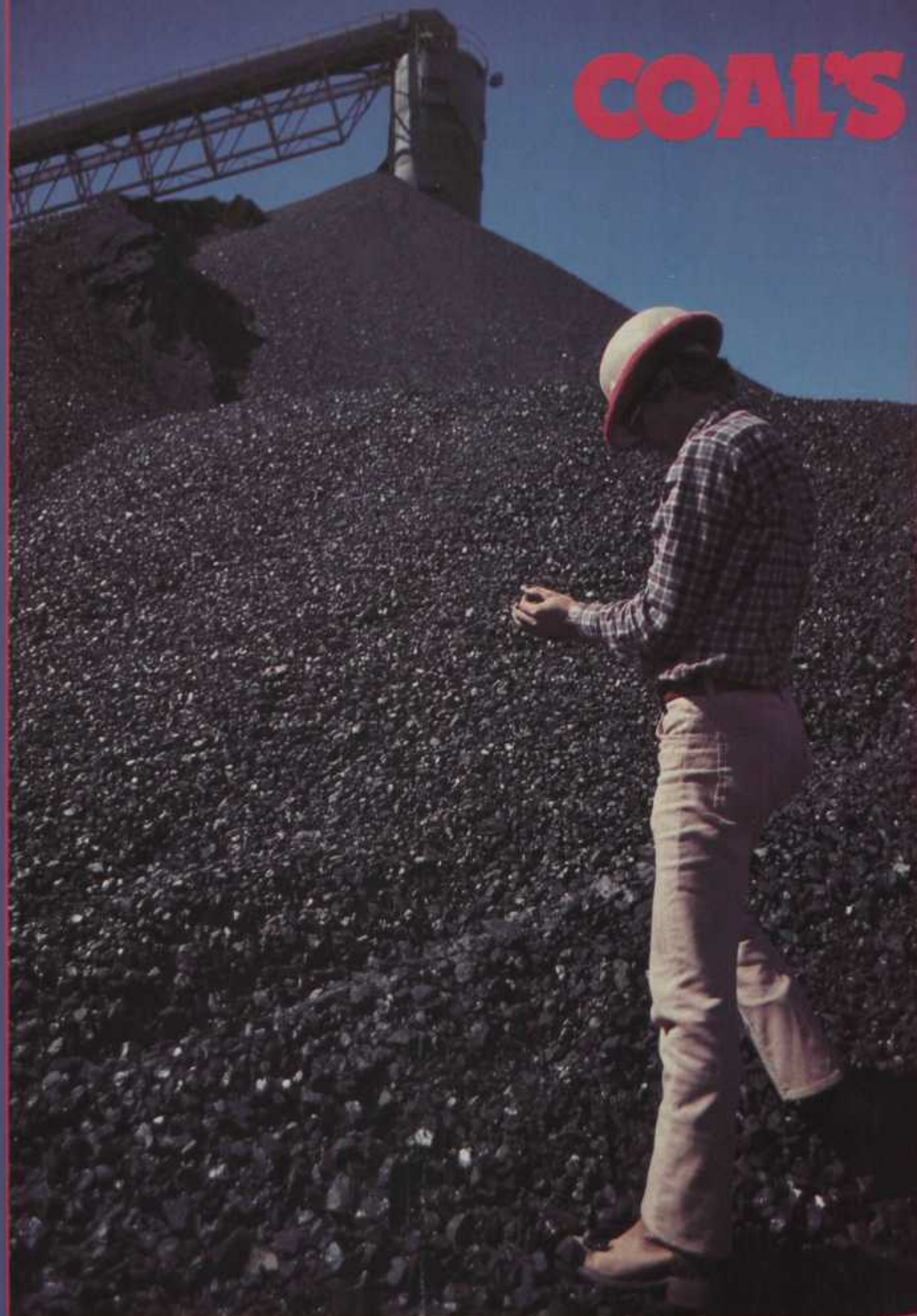


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# COAL'S





# Uncertain Future

A reasonable middle ground must be found to balance the goals of a clean environment and sufficient energy

By Tony Velocci

Is coal the nation's ace in the hole—or just another wild card in the administration's most recent shuffle of energy options?

Two months after President Carter's major energy address in July, when he called for a renewed commitment to coal, prospects for expanding its utilization are as uncertain as ever. Indeed, uncertainty may ultimately prove to be coal's most durable foe.

One of the fundamental reasons for this uncertainty is the policy differences that divide environmentalists from coal producers and users.

President Carter made only token mention of how the objectives of expanded coal use and a clean environment will be achieved in tandem. And virtually none of the fundamental questions was addressed. Are the two national goals of energy independence and a clean environment compatible? Can they be achieved simultaneously? Are clean air laws unnecessarily stringent?

## Policy vacuum

The policy vacuum that now exists leaves the future of America's most abundant fossil fuel very uncertain.

"Questions over costs, their allocation, and regulatory requirements demand political decisions, and their clear resolution is not yet politically in sight," says Robert Stobaugh, a professor and director of the Energy Project at the Harvard Graduate School of Business Administration.

But even if these problems relating to coal were solved, a chain of uncertainty still exists, he says.

Coal reserves comprise about 80 percent of U.S. domestic energy fossil fuel resources, yet coal currently supplies only 19 percent of the nation's energy needs, including 47 percent of our electricity requirements. At current consumption rates, then, the nation has enough

"buried sunshine" to last about 300 years, which is why President Carter has referred to the United States as the Saudi Arabia of coal.

Exports and domestic consumption of coal are expected to reach about 704 million tons this year, up 4.6 percent from 1978, but that will still leave an unused productive capacity of about 150 million tons.

The Clean Air Act of 1970 is the most important environmental law affecting energy development. It has the greatest potential to delay or prohibit a wide range of energy activities, from drilling an oil well to expanding a coal-fired electric utility plant's capacity.

## Modification urged

Industry leaders contend that existing environmental laws will prevent the nation from expanding the utilization of its huge coal deposits on an accelerated timetable and that the Clean Air Act should be modified. But most environmentalists counter that any change in the law is unnecessary and would pose serious dangers to the environment.

The situation right now is virtually a standoff and will probably remain that way until energy and environmental policies are more clearly defined in light of the President's call for a major shift to coal. As a result, many industry observers and energy analysts are skeptical that coal can achieve a dominant role in the nation's energy future within the next 15 years.

"The federal government shows no signs of understanding the pervasive effect environmental regulations have on expanding the use of coal," says William N. Poundstone, executive vice president of Consolidation Coal Co., Pittsburgh, Pa., the nation's largest coal producer in terms of annual sales.

Adds Richard E. Miller, executive

vice president of Amax Coal Co., Indianapolis, Ind.: "Excessive federal policies and regulations have made increased coal utilization difficult, impossible, or unnecessarily expensive."

Even environmentalists concede that the cost of complying with regulations is immense, estimated to exceed \$13 billion in public and private funds every year and rising.

About 40 percent of the investment in a new coal-fired power plant is used for meeting environmental requirements, according to Kurt Yeager, director of the fossil fuel power plant department at the Electric Power Research Institute, Palo Alto, Calif. The nonprofit institute is funded by more than 550 investor-owned, municipal, and rural cooperative electric utilities.

By 1985, an estimated two thirds of the capital costs for new electric utility construction will go toward meeting environmental requirements, says economist Sue Lerner of the Edison Electric Institute, a trade association representing about 250 investor-owned electric utilities.

## Energy penalty

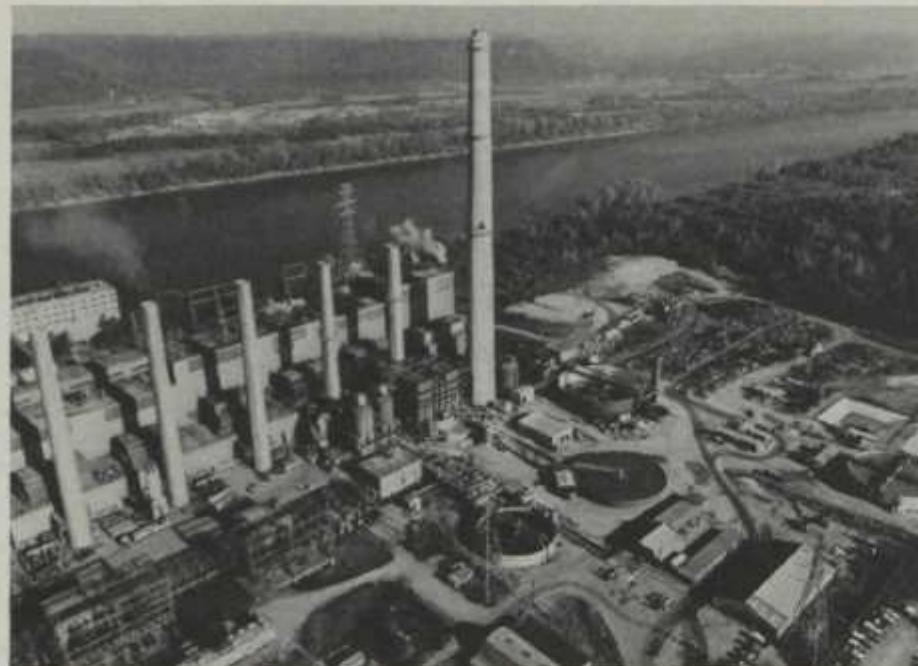
"There is also an energy penalty on pollution control equipment," she adds. "For every 15 plants you build, you have to build one just to make up for the power you lose in putting on that equipment."

One basic problem is uncoordinated governmental policies intended to improve domestic energy production and still maintain a clean environment.

"We recognize that many of the current and emerging government policies and actions that are working against increased coal use have objectives that are in the national interest," says Carl E. Bagge, president of the National Coal Association, Washington, D.C.

"However, the overall problem is the





About 400 coal-fired utilities across the nation, including the Cane Run plant of the Louisville Gas and Electric Co., supply 47 percent of the nation's electricity needs. President Carter, who favors using more coal, toured the plant last July.

lack of balance among national objectives in government policies and actions."

Two tiers of regulation—state and federal—control the way coal-fired utilities operate. On the federal level, there are the national ambient air quality standards established by the Environmental Protection Agency. Some states have adopted their own air quality standards, which in many cases are considerably more stringent than the federal guidelines, to protect public health.

### Divergent directions

"The federal government is going in one direction and states are going in the other," says Roger A. Markle, president and chief executive officer of Valley Camp Coal Co., Cleveland, Ohio. "An industry cannot be expected to operate efficiently in that kind of uncoordinated regulatory environment."

This overkill, as industry leaders refer to it, means that costly pollution control equipment such as scrubbers must be installed in plants that do not have them. Another side of the problem is that some plants have only one third of their life remaining, and the economics of a large capital investment in pollution control equipment makes poor business sense.

Also, public utility commissioners are under pressure to hold down rates, adding to utilities' worries that they will be unable to recover their investments in environmental equipment.

Much of the coal that is used as a primary power plant fuel is high in sulfur content. As a result, sulfur compound emissions such as sulfur dioxide are the most regulated by-products. Industry people claim that standards for controlling sulfur dioxide emissions are based on inadequate and hastily compiled data.

Many independent observers agree. "Current environmental laws don't incorporate the best information," says J. Charles Curran, associate director of the National Coal Policy Project, which is part of the Center for Strategic and International Studies at Georgetown University in Washington, D. C.

"Few authoritative documents are available to help clear up the ambiguity," he adds.

The coal project conducts a series of meetings between conservationists and executives from coal mining and coal consuming industries to discuss their differences.

### Impact overstated

Some members of the coal industry are beginning to document their claims that the EPA has overstated the adverse impacts of sulfur dioxide emissions. Consolidation Coal, for example, has conducted an extensive review of key epidemiological work that supports the correlation between air pollution and public health.

Medical doctors and academicians who have spent years researching the effects of air pollution on respiratory

health support some of the industry's claims and agree that it's time to reexamine the standards.

One of them, Dr. Arend Bouhuys, who is affiliated with the Yale University School of Medicine, says that a western state's clean air laws represent unwarranted generalizations based on outdated information. More recent studies and reports "clarify that health effects of sulfur dioxide and sulfates are less disastrous than one might be led to expect," he says.

### Liberalize standards

"Our evaluation of the effects of sulfur dioxide indicates that existing regulations could be liberalized by a substantial margin and still maintain healthy air quality," says John E. Kircher, deputy chairman of Continental Oil Company, Stamford, Conn., which owns Consolidation Coal Co.

"This would allow utilities and industrial plants to burn more high sulfur coal from Illinois and Ohio without damaging the environment."

A lawsuit filed by Consolidation Coal against the EPA is aimed at forcing the federal agency to reissue its clean air standards in light of the new evidence. Consolidation Coal also points out in its suit that EPA has failed to conduct a periodic review of its standards or to analyze their cost-health benefit ratios, which is required by federal law.

### Financial risks

Another industry frustration is that permissible air pollution levels do not remain constant. Amendments to the Clean Air Act in 1977, for instance, resulted in even more restrictive policies. As a result, industry, which must plan capital expenditures well in advance, is put in a position where it must proceed at its own financial risk.

"If industry had a reliable set of air quality standards it could depend on that would be a big step in resolving much of the confusion," says Robert H. Quenon, chairman of the National Coal Association and president and chief executive officer of Peabody Coal Co., St. Louis, Mo., the nation's largest coal producer in annual tonnage.

Compounding the uncertainty is that conversion from a high sulfur coal to a cleaner coal is not easy. Many utilities have contracts with suppliers for 20 years or more.

Industry leaders are hoping that President Carter will heed a set of recommendations that they say will speed up the utilization of the nation's coal





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reserves and still protect the environment.

Their suggestions include directing state energy and environment officials to encourage the use of coal on a case-by-case basis when such use would not exceed federal air quality standards; requiring a review of all state implementation plans with federal assistance to identify any requirements that are not needed to meet standards set to protect public health; and increasing federal funding for research on biomedical and environmental effects of burning coal.

### **Increase federal spending**

Industry also recommends that the federal government increase its spending on air quality monitoring and modeling and that EPA be required to present a thorough breakdown of the costs, risks, and benefits involved in all existing and proposed air quality requirements that increase the cost of using coal or make its use impossible.

Legislative recommendations have

been made as well. They include a proposal to make it easier to modify state air quality implementation plans without exceeding federal standards. Two bills aimed at doing just that have already been introduced in Congress.

Under existing laws, utilities wishing to convert from oil or gas to coal may obtain a waiver from state environmental laws for four months. "This is far too short a period, particularly if some capital investment is needed," says Mr. Bagge of the National Coal Association.

"Neither utilities nor customers can be expected to bear the costs of switching if they cannot continue using the lower cost coal long enough to offset switching costs."

Sen. Walter Huddleston (D-Ky.) introduced a bill that would allow the President to suspend state air quality regulations that are more stringent than federal standards for up to five years to permit utility and industrial plants to convert from scarce fuels to abundant alternatives. This could be

done only during a major energy supply shortfall, as existed earlier this year when Iran interrupted its oil exports to the United States.

Moreover, state standards could be suspended only on a case-by-case basis; at no time could a utility violate national ambient air quality standards; and the utility seeking the suspension would have to prove that the conversion would result in a net savings in oil equivalent.

### **Bipartisan support**

A similar bill was introduced in the House by Rep. Douglas Applegate (D-Ohio). Under his proposal, the four-month suspension would also be extended for up to five years, but only in the event of an energy emergency. Rep. Applegate's bill has the bipartisan support of eight cosponsors.

Other legislative action includes a House resolution to develop a national energy plan based on the increased production and utilization of coal. Introduced by Rep. Applegate, the resolution has 39 cosponsors.

In the Senate, Sen. Huddleston has introduced a second bill that would prevent EPA or the states from imposing more stringent federal environmental standards on a utility that has already complied with environmental regulations. The exemption would be effective for up to ten years or until that utility's environmental protection equipment had depreciated, whichever comes first.

Most environmentalists say they are just as eager to see the nation become energy self-sufficient, but not at the expense of the environment.

### **Compatible priorities**

EPA Deputy Administrator Barbara Blum says that burning more coal and burning it more cleanly are compatible. "Placing priority on both our nation's energy well-being and public health are realistic goals. They reflect public concern," she says. "To retreat from that commitment would be dead wrong for government, industry, and most of all, for the American people."

Actually, says Steven Kurtz, chief of the EPA's energy policy branch, the environmental impediments to expanded coal utilization are overstated.

Since the Clean Air Act was passed, the EPA has approved the construction of 74 new power plants in already clean areas of the country.

"It's true that some state implementation plans impose regulations that are more stringent than federal laws."

Despite huge reserves, coal supplies only 19 percent of U. S. energy needs today. Little increase is expected unless some air quality rules are eased. Increased coal production would be a boon for the nation's railroads.





he says. "This is due mostly to a local perception of health. Nevertheless, the new capacity that has been permitted by the EPA means no serious impediments stand in the way of the expanded utilization of coal."

### **EPA plans reexamination**

According to Mr. Kurtz, EPA plans to reexamine existing ambient air quality standards, including the effects of sulfur dioxide emissions.

"As more and more new coal-fired plants are built, the nation should experience an overall gain in air quality," he adds.

"Most of the new plants will be capable of burning coal more cleanly than existing oil-fired utilities can burn high-sulfur, residual oil."

According to Mrs. Blum, 46 of the 67 coal conversion cases submitted to the EPA for review since the end of 1975 have been completed and returned to the Energy Department. "The remainder will be completed soon."

Laurence I. Moss, an independent consultant on energy policy and the environment, is among those who believe that other important environmental considerations should receive the same attention as clean air in establishing air quality regulations. "It's possible, for example, for a power plant to meet emissions standards and still spew out enough fumes to obscure scenic vistas," he says.

Mr. Moss, who is chairman of the environmental caucus of the National Coal Policy Project, also believes that potentially harmful pollutants other than sulfur dioxide are being overlooked by regulators. "There is no explicit protection within the law against ambient concentrations of fine particle sulfates which are produced after sulfur dioxide is emitted," he says. "The possibility exists that these could be even more toxic."

### **Improving efficiency**

Many environmentalists argue that if energy was properly priced to reflect the true, higher replacement or incremental costs, it would be obvious to users that major investments should go toward improving energy efficiency and conservation, instead of continually investing in expanding energy sources.

Furthermore, government's extensive involvement in the energy scene is only worsening matters, not helping them, says Mr. Moss.

"Government's role in establishing environmental guidelines is necessary,

but it is unlikely that government's technique of force-feeding new energy technology will be successful," he says.

"The government does a poor job of managing the production of important commodities. Decisions are usually politically oriented.

"Most importantly, government involvement tends to mask the true cost of energy and makes it unlikely that investments will be made by private enterprise to improve end-use technology."

Fundamental differences separate environmentalists and industry, but there is clear evidence that their traditional adversarial role is changing for the better. The National Coal Policy Project is playing a key role in this process.

### **Limited exceptions**

The purpose of the project has been to agree on how the utilization of coal can be expanded while preserving the environment.

One of the project's recent recommendations to Congress was to authorize the EPA to allow a limited number of exceptions from the new source performance standards and best available control technology requirements of the Clean Air Act—but not from compliance with national ambient air quality standards. Project participants believed that this would encourage the development and use of innovative combustion and pollution abatement technology.

"The progress we have made to date is remarkable and, in fact, surprised many people," says Mr. Moss. "But it is still too early to make any predictions about the long-range future. Air pollution issues have been the most difficult for us to reach agreements on."

"There needs to be more cooperation and less confrontation on all fronts," says Mr. Kircher of Continental Oil. "We're all in this together, and every type of skill will be required to develop all of the nation's available energy resources and do it responsibly. The task ahead of us is enormous."

Meanwhile, industry trade associations are continuing to invest large sums of money to find ways of increasing the efficiency of cleaning and utilizing coal.

For example, the Electric Power Research Institute has invested \$25 million in coal cleaning research. "Efficient cleaning of coal may eliminate unwanted waste products that account for as much as 15 to 35 percent of the coal's mass, cutting shipping costs," says Shelton Ehrlich, manager of the institute's fluidized combustion and coal cleaning program.

### **Old steam boilers**

Coal cleaning can also remove up to 5 percent of the fly ash, resulting in improved performance and reliability, especially in old steam boilers. Moreover, cleaning could remove as much as 30 to 35 percent of the coal's sulfur content, easing the costly job of post-

Cylindrical tanks form part of the \$39 million scrubber system at the Louisville Gas and Electric Co. Scrubbers remove sulfur dioxide, a by-product of coal. Clean air requirements have cost this one utility more than \$160 million to date.





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combustion scrubbing that requires the use of expensive equipment.

The institute has awarded a three-year, \$1.7 million contract to the General Electric Research and Development Center in Schenectady, N. Y., to help fund studies of an advanced coal-burning process that could provide a clean, economical source of energy for electric power plants.

### Preventing pollutants

The advanced process, called fluidized bed combustion, would use relatively low temperatures—about half those required in conventional coal combustors—and would help prevent the formation of nitrogen oxides, a major pollutant.

"The fluidized bed could also burn dirty, sulfur-rich coal in a clean manner," says Roland W. Schmitt, GE vice president for corporate research and development.

Looking ahead, coal demand is forecast to grow at an average annual rate of five to seven percent between now and 1985.

"But this will occur only if the economy and the demand for electricity grow and the 219 new coal-fired elec-

tric generating plants planned for the 1979-1985 period receive the necessary government approvals and can be built as projected," says Mr. Bagge of the National Coal Association.

Even then, consumption would still be only between 15 and 25 percent of the President's announced goal of 1.3 billion tons for 1985. At that level, coal would supply 20 percent of the nation's energy needs. Beyond 1985, demand is expected to grow by about five percent a year or less if coal continues to serve only its traditional roles of supplying energy for generating electricity, industrial and metallurgical uses, and exports.

EPA's Mrs. Blum is optimistic about the future of coal and even predicts a significant increase in the number of new coal-fired power stations. "EPA standards for new power plants will facilitate the construction of 350 new plants by 1995 in a way that does not harm public health or the environment," she says. "And the new plants will be seven times cleaner than existing coal plants."

Given the differences that still exist between industry and government over such fundamental issues as

air pollution guidelines, however, Mrs. Blum's forecast may be too optimistic.

"There has been a clear tendency in Congress and the administration either to ignore the conflicts or pretend that all objectives could be achieved," says Mr. Bagge. "But the trade-offs must be made."

### Substantial share

All of the major energy programs coming out of the administration and Congress are placing a heavy emphasis on coal, and most industry leaders believe that coal ultimately will provide a substantial share of the nation's energy needs. Exactly how soon is uncertain.

"If that doesn't happen, this nation will face an economic crisis that will make the Great Depression of the 1930s look pale by comparison," says Mr. Quenon of Peabody Coal. "There would be a tremendous social and political backlash, all a result of mismanaging an energy situation that could in fact be managed effectively." □



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# Dredgers Are Proving They Can Compete

Given the opportunity to bid on government contracts, the dredging industry is showing that private enterprise is the best buy

By John M. Eddinger



**T**HE AMERICAN dredging industry has taken on the federal government in the form of the U. S. Army Corps of Engineers and has gained the right to compete for most jobs.

"Given the chance to compete, private industry can match or surpass the federal government in giving the American taxpayer the most for his money. We've been proving it," says J. A. Downs, president of Great Lakes Dredge & Dock Co., Chicago, Ill.

The corps of engineers, operator of a large dredging fleet, has historically been both overseer and chief competitor of private industry in the business of dredging harbors and waterways. The corps always ensured that its own equipment was 100 percent utilized before putting any work out for bid. When tight money and changing priorities hit in the mid-1960s, corps equipment was kept busy while many private contractors were left idle.

As William Hull, president of Atkinson Dredging Co., Chesapeake, Va., recalls: "Things got so bad that we were shut down for three and a half months in 1966. What work was available was

being done by the corps. Things really looked bleak."

Convinced it could survive only if allowed to compete with the government on an equal footing, the industry took its case to Congress in the early 1970s.

## Petitioning Congress

"The approach was very simple," says Robert E. Losch, a former partner at McNutt, Dudley, Easterwood & Losch, the Washington law firm that represented the dredging industry. "We merely argued that given the chance to compete fairly, industry would invest more money in improved equipment, the corps would have some healthy competition, and the sure winners would be the taxpayers."

Armed with a General Accounting Office report favorable to industry, the dredgers asked Congress to amend the 1888 Rivers and Harbors Act to encourage open competition. The act had not been amended since World War I when Congress imposed an excess profits tax on dredging—a tax still on the books.

Congress responded to the dredgers

by enacting a moratorium in 1972 on all plans for replacement or modification of the corps's dredges and authorizing a national dredging study. The study revealed how highly competitive private dredging really is, and the corps began awarding contracts to private dredgers.

This was the chance industry had been seeking. During its first year of operation, the contract program proved industry was capable of doing a large share of the work traditionally done by the corps. Industry successfully bid on 12 out of 22 new jobs advertised. Of the \$19 million total value of work advertised, private industry was awarded nearly \$13 million.

This success was repeated in 1978, with industry taking 22 out of 41 jobs bid and doing nearly two thirds of the total value of the work.

## The turning point

Capping industry's success with Congress was last year's enactment of the River and Harbor Work-by-Contract Act, which marks a turning point for the industry. The battle for the act was



The self-propelled hydraulic dredge *Louisiana* (left), owned and operated by the Great Lakes Dredge & Dock Co., clears Gulf of Mexico waterways and ports.



Using drag arm suction units, the privately owned, fully automated hopper dredge *Manhattan Island* (left) can load 3,700 cubic yards of material in less than 30 minutes. At the disposal site (above), the unique hull swings open to dump the cargo. Hopper dredges can work without disrupting shipping and in heavy weather.

fought in the Senate Appropriations Committee, rather than in the Senate Environment and Public Works Committee, because the corps was requesting funds to build new hopper dredges.

Ranking minority member on Appropriations and big advocate of the corps, Sen. Mark Hatfield (R-Oregon), says: "I hope that private industry will fulfill its pledge to modernize its own dredging fleet. In any event, the corps must maintain a modern and efficient fleet of dredges to ensure we have the capability to maintain our harbors and channels."

#### Minimum fleet

Signed by President Carter in April, the new law gives industry the opportunity to compete on virtually all federal dredging work, thus making possible the development of new equipment. The law provides that:

- The corps shall have dredging and related work done by contract.
- The corps shall retain only the minimum fleet necessary to carry out emergency and national defense work. Only work necessary to keep this fleet

operational can be set aside from industry bidding.

• The existing corps equipment, over and above the minimum fleet, shall be reduced by retirement in an orderly manner as private industry demonstrates its capability. No work is to be set aside for this equipment.

As Maj. Gen. Charles McGinnis (Ret.) of the corps's directorate of civil works says: "The corps and Congress want the industry to build a fleet of modern, mechanical pipeline and hopper dredges that can handle an increasing amount of the annual dredging workload throughout the country. Such a fleet represents the cornerstone of the concept being tested."

Tens of millions of dollars now are being invested by industry to build new equipment and modernize old. Nowhere is this more clearly seen than in hopper dredges, the largest of the dredges and once the exclusive domain of the corps.

One company alone, Great Lakes Dredge & Dock Co., now has a hopper capacity equivalent to more than 50

percent of the corps's hopper fleet in just three dredges.

A second firm, C. F. Bean Corp., New Orleans, La., has a new hopper dredge and another under construction.

Still another company, T. L. James & Co., Inc., Ruston, La., has a hopper dredge in the works, and a fourth firm, Williams-McWilliams Co., Inc., New Orleans, La., is in the planning phase.

#### Plenty of competition

"One thing is for certain," says Jim Bean, president of C. F. Bean, "we're giving the government plenty of competition. The question is no longer when industry will prove itself, but when the corps will retire all that extra equipment it has on hand."

And therein lies a big problem. For instance, in April the industry underbid the corps on a big job in Charleston Harbor, S. C. In doing so, it beat out the corps's largest dredge, often referred to as the pride of the fleet.

Heavy competition with the government has proven industry response to be much faster than anticipated, while the corps is still defining the needs of its minimum fleet.

#### The bidding process

Dredging is awarded on the basis of sealed bidding, with the corps preparing two types of estimates: hired-labor and well-equipped contractor.

Under a hired-labor estimate, the corps has equipment available and is bidding against industry. Although the corps has had to add new factors in determining its costs, coming closer to what industry must consider, it still excludes plant replacement costs; federal, state, and local taxes; and general liability insurance.

The hired-labor estimate is used in bidding for work previously done by



## They Keep Waterways Open

The U. S. Army Corps of Engineers is charged with keeping open more than 28,000 miles of navigable waterways. For dredging alone, this year's budget allocates \$268 million.

The corps operates 36 dredges, 14 of which are hoppers, the largest type. They are manned by federal civilian employees. The corps has two hopper dredges under construction and another on order. Due to special military requirements, each of these hopper dredges will cost between \$15 million and \$70 million.

Industry is rapidly building more hopper dredges, which cost \$20 million to \$30 million each.

There are 87 major private dredging companies, 80 of which are classified as small businesses. The industry operates more than 300 dredges of various types and performs two thirds of the federal dredging requirements. Major private firms handle about 90 percent of the workload.

the corps, an area where industry is underbidding the corps by two to one.

A well-equipped contractor estimate is used when the corps has no equipment available to bid against industry. As the name implies, companies bid against each other on the basis of what the corps estimates it will cost a well-equipped contractor to do the work.

### By-products of competition

"There is a crucial by-product of industry's doing more of the work," says Mr. Losch, "and that is that more exact measurements have revealed less material out there to be dredged than the government previously claimed."

If estimates of the work available are as drastically overstated as they appear, the eventual size of the corps's minimum fleet becomes a critical market consideration.

Gen. McGinnis emphasizes that the corps "is firmly committed to a healthy and competitive partnership with the dredging industry" and has been working closely with industry as the role of the corps becomes that of program manager with industry picking up the slack. But there are some tough problems ahead.

One problem has been a congressional mandate that the corps provide industry with at least 30 million more cubic yards of work to bid on each year for the next three years. Despite questions concerning the possibility of overstated yardage figures, the corps has now come up with a tentative schedule of 37 million cubic yards for industry to bid on this year. This is for hopper dredge work only in fiscal 1980.

Another problem has been the natural reluctance of some government workers to willingly give up work they have been doing for years. This has meant some misunderstandings and resistance, making implementation of the law difficult.

To clear up coordination problems, Brig. Gen. Hugh Robinson, the corps's deputy director of civil works, recently issued a seven-page letter of guidance to the 47 district engineers—a move that should help.

### Good track record

The next step will be for the corps to define the minimum fleet needed for emergency and national defense.

Industry has a good track record in responding to emergency needs and serves as an important adjunct to the corps. One example: Silt choking the shipping channel of the Mississippi River's Southwest Pass near New Orleans is a constant problem, but recent flooding and consequent rapidly rising silt levels caused the corps to declare an emergency and seek industry's assistance. Within five days industry had a dredge on the site to open a channel.

But national defense could be another question altogether. Strict military needs may call for a certain number of dredges, but keeping a large fleet busy could be difficult.

### An exercise in cooperation

The experience of the dredging industry since the late 1960s has been an interesting exercise in cooperation.

From the beginning, there has been an open partnership between industry, Congress, the corps, and various executive branch departments with one goal in mind: Giving the private enterprise system a chance to work.

Carl Hakenjos, vice president of Williams-McWilliams Co., sums it up: "Private industry is again proving that given the opportunity, it will invest the necessary capital, provide the technical expertise, and give the American taxpayer his dollar of work for every dollar spent."



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•MNB-18



# Health Care Problems Face Congressional Overdose



According to many physicians, business people, and some union leaders, federal catastrophic health insurance would be a catastrophe for the health care industry.

**W**ITH the nation's annual health bill approaching \$200 billion, the basic question about national health insurance has three parts: Does the country need an all-embracing system to cover everyone, can it afford the billions of dollars even minimal plans will cost, and does the public even want such protection?

The Congressional Budget Office estimates that between five and ten per-

cent of the population does not have private health insurance or is not eligible for public health programs. "By and large," says the CBO, "the uninsured are low-income and young, and they tend not to be in the labor force."

The biggest public concern is the need for catastrophic coverage to keep families from personal bankruptcy resulting from a major medical crisis. The Health Insurance Institute re-



ports that 83 percent of the 177 million Americans who have private health insurance have some form of catastrophic coverage. Many of those not covered for catastrophic may be eligible for medical protection offered by government programs.

"The vast majority of our population is currently covered or has available coverage of both basic and catastrophic health expenses," says Dr. Joseph F. Boyle, who is on the board of trustees of the American Medical Association. "The limited problem areas that do exist certainly do not justify complete restructuring of the private health care delivery system into a direct instrumentality of federal policy."

### Crisis of confidence

Paul H. Jackson, consulting actuary for the Wyatt Co., in Washington, D. C., says that "employers and unions should be allowed to design their own health care programs to meet the needs of employees and their families—and to fit the programs within their budgets."

"I agree with the President that there is a crisis of confidence. In large part, that crisis is caused by government getting into things it has no business getting into."

There are two major catastrophic insurance proposals now before Congress and two national health insurance plans, one offered by the administration and the other announced by Sen. Edward M. Kennedy (D.-Mass.).

Sens. Russell B. Long (D.-La.) and Abraham A. Ribicoff (D.-Conn.) have sponsored a bill giving employers the option of providing catastrophic insurance for their employees or paying a one-percent payroll tax to the government so it can offer such insurance. Unemployed people would be covered under the government plan, financed by the one percent tax. Hospitalization beyond 60 days and other medical expenses above \$2,000 would be covered. The plan is estimated to cost \$5 billion to \$7 billion a year.

### Federalizing Medicaid

A variation of the Long-Ribicoff proposal would also federalize Medicaid at an additional cost of \$20 billion.

Still another Long-sponsored bill would require all employers to buy private catastrophic health insurance, based on federal standards.

Sens. Robert J. Dole (R.-Kans.), John C. Danforth (R.-Mo.), and Pete V. Domenici (R.-N. Mex.) have introduced a bill to require employers to offer cata-

strophic insurance to their employees and pay at least 75 percent of the premium. If an employer's payroll costs go up by more than two percent, half the excess may be claimed as a tax credit. Hospitalization for more than 60 days and medical expenses above \$5,000 would be covered. The cost of the plan is estimated at \$4 billion to \$6 billion annually.

An alternative is the tax-related approach of Sens. Richard S. Schweiker (R.-Pa.) and David Durenberger (R.-

MAXIMUM MAJOR MEDICAL BENEFITS		
Maximum Amount of Benefit	Percentage of Surveyed Employees	
	1973	1978
\$ 5,000	1.7%	—
\$ 10,000	7.5	1.9
\$ 15,000	4.8	0.6
\$ 20,000	9.5	1.9
\$ 25,000	14.8	1.7
\$ 25,001-\$49,999	9.1	—
\$ 50,000	21.6	2.8
\$ 50,001-\$99,999	1.8	—
\$100,000	5.9	2.6
More than \$100,000	24.2	88.5
Source: Health Insurance Institute		

Minn.) and Rep. Al Ullman (D.-Oregon). They want employers to be required to offer employees at least three health plans in the form of insurance or health maintenance organizations and to continue to deduct health insurance premiums. By offering multiple choices, employers can help promote competition in the health care industry, the bill's sponsors say.

In addition, both Sen. Edward M. Kennedy (D.-Mass.) and the administration are backing different versions of a national health insurance system that includes catastrophic coverage.

Sen. Kennedy advocates a comprehensive program costing \$40 billion to \$60 billion. Two thirds of the cost would come from increased taxes, the rest from employer-paid premiums. With extensive controls over hospitals, doctors, and insurance companies, the plan would actually cost less than what is usually spent on health care each year, according to Sen. Kennedy.

The administration supports a phased-in approach that would cost about \$24 billion, two thirds paid from taxes and the rest employer financed.

The President's plan assumes congressional approval of the hospital cost control bill submitted earlier.

The nation's major unions are strongly against catastrophic insurance proposals, although endorsement of the national health insurance concept is just as strongly supported.

### National catastrophe

Douglas A. Fraser, president of the United Auto Workers, thinks catastrophic insurance is aptly named because its passage "would be a catastrophe for health care in our country."

The Service Employees International Union sees it as an "inefficient, ineffective, and extremely cost-inflated health insurance program."

Even the National Farmers Union, through President Tony T. Dechant, says it "will be the cause of further deterioration of health services in rural areas."

Perhaps the most outspoken opposition comes from Bert Seidman, the AFL-CIO's director of social security.

"Most medical care is good for people, but too much care can be harmful at worst and superfluous at best," he says.

He adds that catastrophic insurance would "greatly accelerate the already unacceptably high inflation in health care costs, perpetuate the factors most authorities consider responsible for the breakdown in the delivery of health services, and distort the allocation of national health care resources to hospitals and other institutional treatment."

### Poisoned fruit

James Hacking, assistant legislative counsel of the American Association of Retired Persons, says: "When this legislation was first conceived six years ago, we might have been naive enough to support it. However, we cannot do so now. What stops us—and stops us cold—is the recognition that the fruits of this legislation will be poison."

His primary concern is escalating costs for all providers of health care, especially hospitals. ["Putting Health Care Costs Under a Microscope," November, 1978]

Robert G. Zimmerman, assistant secretary and treasurer of the F. W. Woolworth Co., echoes the concerns of many business people that catastrophic coverage will be "just the camel's nose under the tent, a back-door way of getting national health insurance in the long run." □



# *The Dominican Republic*

**A Businessmen's Dialogue**



# The Dominican Republic

## A Businessmen's Dialogue



### Worth the Effort for U.S. Business to Look South . . .

In 1978, the Dominican Republic experienced a peaceful change of leadership through the democratic process, a change marked by open elections and respect for the voting results.

Headed by President Antonio Guzmán Fernández, the new Administration provides continued political stability as it moves to seek sources of added employment, increased foreign exchange earnings, and greater domestic production.



Buffeted by high oil import costs and low sugar export prices, the Dominican Government is giving priority attention to non-traditional exports, agri-business (especially products for export), tourism, and energy alternatives. President Guzmán has stressed repeatedly in public statements that foreign private investment is welcome in the Dominican Republic.

The country has been successful in attracting foreign companies to its three Free Zones, where assembly operations are conducted with Government incentives. These firms provide needed employment to almost 15,000 workers.

Other Government programs and policies encouraging investment are expected to come as the result of legislation pending in the current session of the Dominican National Congress.

The United States Government continues to enjoy close and warm relations with the Government of the Dominican Republic. Equally important, there exists a tradition of close business and cultural ties linking the peoples and the business communities of our two countries. Dominicans instinctively look north for many of their needs, whether for schooling, vacations, fashion, quality products or recent technology. In my opinion, it is well worth the effort for U.S. business to look south, as there is business to be done in the Dominican Republic to the benefit of all concerned.

**Robert L. Yost**

Ambassador of the United States of America  
to the Dominican Republic



## INTRODUCTION

Today's Dominican Republic is known as a "good place for investments" in agriculture, tourism and the manufacturing-assembly (i.e., free trade zone) industries. Small and large investors from the Americas, Europe and Asia are taking advantage of the many opportunities and advantages available in this constitutional democracy.

Highlights of the basic sugar and mineral-fueled economy are outlined in this private **Businessmen's Dialogue with the Dominican Republic**, published following the first year in office of President S. Antonio Guzmán. The dialogue is composed of pragmatic questions from U.S. businessmen with answers provided by Dominican authorities.

Also note the commentaries written by 20 private business leaders, positioned alphabetically. To paraphrase one private leader, "Your North American investors, investing between \$50,000 and \$200 million in our country, continue to do well, as evidenced by their expansion projects. Simply put: our people have always liked your country and your investors. You are always most welcome in the Dominican Republic."



## INVESTMENTS

### **Why is the Dominican Republic known in some quarters as a good place to invest?**

The Dominican Republic offers the necessary fundamentals so that foreign investors are assured of stability, security and profitability—factors which are of prime importance to private capital. The Republic also offers the essential services in the form of telecommunication facilities, national and international airlines, a financial community geared to international banking needs; and last, but not least, a natural beauty that enhances the environment of all foreign investments.

The main wealth of the Dominican Republic resides in its hard-working, able and intelligent people who adapt rapidly to new tasks and carry out their duties with great responsibility and a high sense of collaboration and friendliness. Also, the Dominican Republic is very close to the North American market and has excellent means of communication with that country and with the rest of the world. There also are laws with adequate incentives for investments that require the exoneration of all types of duties and tariffs for the companies dedicated to produce exclusively for exportation. In addition, the Dominican Republic has an agreeable climate, excellent amenities and all the facilities desired in any modern city or country.

### **A number of important multinational companies have invested in the Dominican Republic. Why?**

Since the very moment of the discovery of America, the island of Santo Domingo has been a place open to international commerce. In modern times this continues to be the case.

(continued)



**Luis Heredia Bonetti**  
President  
AMERICAN  
CHAMBER OF  
COMMERCE OF  
THE DOMINICAN  
REPUBLIC

#### **The Right Place and the Right Time.**

The Dominican Republic is "the right place," figuratively and literally. Geographically at the crossroads of the Caribbean, with ample shipping and communications facilities, it is close to Miami and New York as well as other east coast ports. It is the right place politically with the business climate you are looking for.

The challenge and opportunities make it an exciting place to do business. It has an excellent labor force and provides prime opportunities to manufacture for export in well organized free zones.

THE AMERICAN CHAMBER OF COMMERCE OF THE DOMINICAN REPUBLIC cordially invites you to visit Santo Domingo, and especially the AmCham office here, for further information.

For 57 years, AmCham Dominican Republic has committed itself to expanding commercial relations with the United States and aiding in the establishment of investments here. More than ever before, now is "the right time" as the Dominican Republic offers the investment climate for manufacturing for export.

The Chamber takes pride in the fact that it is working within the framework of a true democracy. It is hoped that the United States sees fit to give special consideration to this country in the areas of sugar and textiles.



**Patrick N. Hughson**  
Vice President  
ASSOCIATION OF  
AMERICAN  
CHAMBERS OF  
COMMERCE IN  
LATIN AMERICA  
—AACCLA

#### **"A Land of Opportunity"**

Speaking as Vice President of AACCLA for the Caribbean and Panama, I am naturally biased in favor of this region. However, I am most biased in favor of the Dominican Republic, my home for the past thirty years.

For me, the Dominican Republic has been a land of opportunity, and I am certain that it can be for others, both as individuals and as corporations. The Dominican Republic is rich in natural and human resources and its progress has been truly amazing. Visitors continue to express surprise at the beauty of Santo Domingo, one of the most attractive cities in the Caribbean and one of the birthplaces of European civilization in this hemisphere. The first city in the New World is rich to both tourists and businessmen.

If you are interested in agribusiness, manufacturing for export, or tourism in any of its form, come to the Dominican Republic! And with over 1000 miles of Caribbean shoreline containing many excellent and underdeveloped beach areas, these also await the investor.



# The Dominican Republic

## A Businessmen's Dialogue

### Investments (continued)

At the present time, a number of foreign firms operate in the Dominican Republic and contribute to the country's consolidation process in economic growth. Among these foreign firms are: Rosario Resources Corporation, Sea-Land Services, Falconbridge Nickel Mines, ITT, Gulf + Western Americas Corporation, Alcoa Exploration Company, Esso Standard Oil, the Shell Company, Arco Caribbean, Texaco Caribbean, Bank of America, Chase Manhattan Bank, the Royal Bank of Canada, Citibank and the Bank of Nova Scotia.

### In which areas of the Dominican economy are foreign investors most welcome? What areas are closed to foreign participation?

In accordance with existing laws and regulations, as well as the priorities established by the Dominican Government, foreign investment is encouraged by those companies devoted to the export of goods and services, since these contribute to the economic development of the country. The Dominican Government also encourages foreign investors in all agricultural projects, as well as any project set up in free trade zones aimed at the export market, and tourist projects which generate employment income. In actuality, there exists a series of areas which are reserved for national investment, such as public utilities (i.e., water, light, electric energy, etc.); the exploitation of radioactive materials, mines and hydrocarbons; the production of military hardware; and the forestry industry. Foreign investors may participate in joint-ventures with local companies in the following areas: fishing, insurance, commercial and investment banking, agro-industries, poultry and livestock farming.

### What foreign enterprises have established or planned new facilities in the Dominican Republic during the first year's administration of President Antonio Guzmán?

To mention only a few examples that reflect the diversity of factors which make attractive the investment market of the Dominican Republic, we can refer to the opening of the Hormel plant in combination with Dominican capital for a meat product plant; a joint venture by Radiadores Roca of Spain to establish a factory to manufacture sanitary and bathroom equipment; and a plan for the establishment of a diversified industrial complex by a group of Taiwanese investors. American Standard has a joint venture project with an important Dominican firm to produce sanitary equipment.



**Jose Manuel Armenteros R.**  
President  
ASOCIACION  
DE INDUSTRIAS  
DE LA REPUBLICA  
DOMINICANA, INC.

#### A Rewarding Challenge . . .

I am both honored and pleased to address 1.25 million colleagues in the United States—the private business executives of the leading industrial nation—who also represent this country's biggest export market and prime source of investments and technology.

In the relatively small Dominican market of five million people, industrial growth is not easy. However, the quality of personnel; the desire to work; and the prevailing business conditions, permit our member-industries to grow and to serve new export markets. It is a rewarding challenge!

As the organization dedicated to the industrial development of the Republic and to our industries' welfare, we cordially welcome our colleagues in North America to join us in this rewarding challenge.



**Fernando Periche V.**  
President  
BANCO DE  
RESERVA DE LA  
REPUBLICA  
DOMINICANA

#### Most Qualified to Serve Your Business . . .

Of all the countries in the Caribbean area, the Dominican Republic has the largest trade with the United States.

The opportunities for foreign investments are many and diversified, provided they are in the economic sectors determined by the Foreign Investment Law that promotes and governs this activity.

We have a stable and democratic Government that maintains a bilateral treaty with the United States that guarantees North American investments.

The country offers Industrial Free Zones, which together with a qualified labor force and proximity to the United States, have attracted numerous United States business interests that presently are very active.

The Banco de Reserva (Reserve Bank), with increasing assets of about \$700 million, is a commercial bank in the Dominican Republic. Established more than 38 years ago, the Banco de Reserva offers banking services throughout the country. We are most qualified to serve your business in or with the Dominican Republic, and our correspondents include all the larger banks of the United States.



## What are the legal differences between national and foreign investments?

Law 861 which created the Directorate of Foreign Investment defines foreign investment as . . . "all physical property originating from abroad and belonging to non-residents of the country: the capital investment of a company in freely convertible currencies; machinery and equipment, tools, instruments, accessories and spare parts." National investors are defined as the state, municipality, autonomous institutions, companies incorporated in the country and those individuals who do not have their investment registered in the Central Bank. This law also establishes the following differences between mixed and foreign investment:

- **National Company:** those companies or corporations established in the host country in conformance with the laws of the Dominican Republic and whose capital is comprised of more than 70% local investment, in the form of technical, financial and administrative assistance;
- **Joint Venture:** those companies or corporations established in the host country in conformance with the laws of the Dominican Republic and where 51% to 70% of the capital is held by local investors in the form of technical, financial and administrative assistance;
- **Foreign Company:** those companies or corporations established in the host country in conformance with the laws of the Dominican Republic and where less than 51% of the capital is held by local investors.

## What are the highlights of the Dominican foreign investment law? How important are the Republic's natural resources to the law of investments?

The most important aspect of the current Foreign Investment Law is related to the registration in the Central Bank of the Republic of the capital invested. Natural

resources are subject to special treatment by law which regulates mining activities in the Dominican Republic.

The regulations currently in force guarantee the foreign investor complete security on his investments while facilitating the transfer of registered investments as well as resulting profits. These funds can be converted into any freely floating currency as long as they do not exceed 18 percent of the registered foreign investment. It must be noted that exploration of natural resources are governed by the mining laws and in this sense, the Directorate of Foreign Investment cannot authorize the registration of a direct foreign investment in this sector.



## What type of incentives exist for the establishment of new industries?

Law No. 299 for Promotion and Incentives to Industrial Development establishes three classifications for industries—totally oriented towards exports, for internal market industries and for industries which will combine both markets as well as the foreign or local source of the raw materials. A scale of incentives is applied to these classifications which vary from total exemption of taxes and tariffs for a period of 20 years up to the partial exoneration for different periods of time. Free zone industries are not limited in terms of repatriation of profits and capital and are only required to exchange currency to cover local expenditures.

(continued)



**George Arzeno Brugal**  
President  
**BRUGAL & CO.,**  
C. POR A.

### Brugal & Co. and the Dominican Republic

Brugal and Company was founded in the year 1888 by don Andrés Brugal Montaner. Three generations, extending almost 100 years, have dedicated their experience in the Dominican Republic and abroad, to the production of rum, the drink we proudly look upon as Our National Drink.

Brugal is part of our country's economic history. The confidence in its social, political, economic structures and especially the country's development potential has been and is the main factor that permits us to continue a dynamic expansion of our economy.

We believe the Dominican Government's stability is the important factor to attract and guarantee new investments in our country.



**Philip R. Young**  
Vice President  
**CHASE**  
**MANHATTAN**  
**BANK, N.A.**

### Growth of Financial System and Private Sector

CHASE opened a Branch in 1962 and now serves the Dominican Market through a complete banking network in Santo Domingo and Santiago.

For more than a decade, the Dominican Republic's political stability and positive economic climate have been essential ingredients for the growth of its financial system and private sector. CHASE has had an important role in this development—providing its customers a full range of banking services including dollar and peso loans, efficient international services, attractive deposit vehicles and expert financial counseling.

Although dynamic G.N.P. growth from 1969 to 1975 has given way to a slower rate of expansion in recent years, the environment is still considered to be favorable for businessmen. The banking and monetary system have traditionally been well-controlled by the Central Bank and the inflation rate has been one of the most moderate in Latin America during recent years.



## Investments (continued)

### Do incentives exist for creating employment in specific sectors of the Dominican economy or regions of the country?

In addition to Law 299 for the development of the manufacturing industry, the Dominican Republic is interested in developing other sectors which generate new sources of employment and additional dollar income. It has created Law 153 for the development of the tourism industry, whereby significant advantages are offered for exemption from income taxes.

Recently, the government, in following the lines of its established economic policies, developed a strategy for the intensive use of natural resources through industrialization programs which enable us to cater to our own nation's needs while allowing a surplus for export. To this extent, the government is establishing a new law to promote agro-industry by stimulating farming; employing more labor; improving the redistributing of income; securing food and the basic needs of the population.



### "Finest Cigars" Now Produced in the Dominican Republic

The finest cigars produced anywhere, repeat anywhere, during the last 18 years, are now exported from the Dominican Republic.

Agreed, a strong claim! However, our expertise and reputation, based upon three generations in the cigar business, do not permit empty claims. Our new JUAN CARLOS brand, hand-rolled in Santiago, Dominican Republic with "properly-aged" Dominican leaf, successfully answers the challenge offered by all cigar smokers: "maximum quality, properly-aged, at maximum economy". Frankly we have no competitors in today's world of rapid cigar production.

Furthermore, as recent investors, we like doing business with the Dominican people. We are impressed with their sincere hospitality plus their desire to work and their open eagerness to learn. These human qualities plus reasonable production costs and free trade zone policies add up to a solid location for productive investments.



Keith A. R. Clachar  
President  
CLARENDON  
BRANDS LTD.

Simultaneously, we are trying to avoid urban industrial concentration so as not to create regional imbalances.

### Partial list of U.S. Manufacturers currently producing in the Dominican Republic:

Adams	Kayser Roth
Binney and Smith	Knickerbocker Toy
Clarendon Brands	Maidenform
Colgate Palmolive	Pajama Corporation
Consolidated Cigar	of America
Gem	Phillip Morris
Gulf + Western	Sterling Products
Hormel	3M
Integrated Electronics	Warner

### How does the Dominican Republic assist the foreign investor? Which government agencies specialize in serving potential investors?

The Dominican Republic assists foreign investors through the Central Bank of the Republic, the Secretariat of State for Industry and Commerce, the Center for the Promotion of Exports (CEDOPEX) and the Corporation for Industrial Development (CFI). These agencies assist the investor with the legal processes and procedures that must be complied with for the establishment of a company with foreign capital. It also indicates the areas in which the country wishes to have those investments. CEDOPEX has a department to assist the potential foreign investor with respect to the criteria that the new investments will contribute to the increase of exports or to the reduction of imports.

Cedopex has two offices within the continental United States:

One World Trade Center  
86th floor, Suite 86161  
New York, New York 10048  
Tel. (212) 432-9498  
Manager: Mauricio González

100 Biscayne Boulevard  
Suite 611  
Miami, Florida 33132  
Tel. (305) 358-8174  
Manager: Camelia Garrido

(continued on page 8DR)



William H. Hefflin  
President & General  
Manager  
COMPANIA  
DOMINICANA DE  
TELEFONOS,  
C. POR A.  
—CODETEL

### "One of the Best Telephone Systems in Latin America" . . .

For nearly 50 years, CODETEL (Compañía Dominicana de Teléfonos, C. por A.) has been serving the communication needs of the people of the Dominican Republic. During the period 1971 through 1978, the Telephone Company has invested \$98,513,000 to modernize and extend the telephone network. Presently, we have plans to invest a minimum of \$50,000,000 additional over the next five years for further growth.

Telephone service is offered by CODETEL to 16 cities while 22 towns are served by independent Dominican companies. Almost all of the 160,000 telephones are owned by private companies, as they are in the United States. Through the decades, Government policy has been to keep this vital public service in private hands for economy and efficiency. This policy has given the Dominican Republic one of the best telephone systems in Latin America in terms of reliability; however, service availability is difficult in some places. We recommend a check with CODETEL as plans are being made for the opening of offices or facilities.

CODETEL takes pride in its telephone service offered through modern computer controlled offices, microwave systems and a sophisticated INTELSAT earth station, "CODETEL para Servir"—we are here to serve you!



# Why the Dominican Republic?

## A New Administration: Overcoming Old Economic Problems

by Lic. Eduardo Fernandez, Governor of the Central Bank of the Dominican Republic

The year 1978 was very special for all of the activities of the country, not only because it was a year of presidential elections but because the elections resulted in a change of government with the consequent implications in terms of reorientation of economic policy and the logical adaptation of economic activity to the new directions and to the new realities.

In the preceding year, the situation of depressed prices for sugar in the world market persisted, whereas the systematic rise in the prices of petroleum and its derivatives continued, as well as in all of the goods in which petroleum is a component.

### Balance of Payments

In 1978, total exports of the country reached only 675 million Dominican pesos, whereas our imports reached 859 million Dominican pesos. This caused an unprecedented trade deficit of 184 million Dominican Pesos. This deficit resulted not so much from rapid growth in imports, since imports only grew less than 1%, as from the sharp drop in the prices in the world market for our exports. In 1975 our country earned 595 million pesos from sugar exports. In 1978 the earnings from that same product came to only 211 million pesos.

The new price increases for petroleum decreed by OPEC last month and the stationary nature of the situation of sugar prices led our government to reevaluate its development strategy and as the result of this we can point out the following:

### Strategy of the Change.. Agriculture

The design, organization, financing and carrying out of a great effort were undertaken to substantially increase domestic production of food products to improve supply to the population. This was to respond to the legitimate expectations of our people and also to reduce, first of all, and then to eliminate imports of foods that amounted to close to 100 million pesos last year (1978). Some preliminary results lead us to the conclusion that the objective will be achieved. This year, for the first time, there will be no need to import rice.



Furthermore, as the result of this effort in the agricultural sector, we hope to generate exportable amounts of a great variety of nontraditional agricultural products for which there is an assured market. Also, by expanding the base of our agricultural production, we are establishing the best premises for the continued development of agroindustry, which has been defined as a priority by the government headed by President Antonio Guzmán.

### Tourism

In the Dominican Republic, tourism has experienced rapid and strong growth. The foreign exchange income accruing to the country from tourism is expected to surpass 100 million pesos for the current year of 1979, during which for the first time the number of foreign visitors will exceed the figure of a half a million. This significant increase in tourism activity is the result of an active promotional campaign abroad, of the indisputable facilities and natural beauty of the country, and the fact that we are making investments in the tourism sector, constructing an efficient hotel infrastructure. The government is continuing to contribute to the growth of tourism, providing to the sector the resources it needs. However, for purposes of increasing tourism activity, one of the most important contributions by the government is the preservation of the climate of freedom and peace that prevails in the Dominican Republic.

### Mining

The possibilities and the potential of mining in our country are considerable, despite the fact that not all of our mining resources have been identified and evaluated. The Dominican Republic is the fifth largest producer of gold in the world and occupies first place in the Western Hemisphere. The present prices for this metal and the resumption in the world market for the demand for nickel and bauxite are important sources of foreign exchange which can be used to help finance our development. Other contracts for exploration or exploitation have also been signed recently, on conditions that are equally advantageous to both our country and the companies concerned.

As has already been seen, the development strategy set forth by the national authorities is based on maximum use of the potential of those sectors of the economy where the prospects are most advantageous. This in no way means, however, a reduction in the scope of our development model, but only the part of it with the greatest priority. The country is continuing to diversify and expand its industrial base, as well as giving special emphasis to the scale of its installations and to the region where they are situated, in order to guarantee a better regional balance in the development and better levels of employment for the labor force. In other words, our definition of development is that it should be comprehensive and we seek to preserve, in the implementation of this process, a fair balance between economic development and social goals.

The President of the Republic has clearly defined the role of foreign investment in the attainment of these objectives. He called foreign investment desirable and necessary because of its ability to contribute capital, technology and markets. We offer an attractive opportunity for foreign investment with the natural and human resources we have, as well as the capacity and willingness on the part of our legal and political institutions to respect and protect domestic and foreign private investment. ★



## Investments (continued from page 6DR)

### Does the Dominican Government guarantee investment security and capital repatriation to foreign investors?

In reference to this question, we've already answered above that the Foreign Investment Law guarantees the repatriation of the investments, as well as the profits generated, in accordance with conditions. During the entire history of the Dominican Republic, there has always been great respect for foreign investment.



### Do free trade zones exist in the Dominican Republic?

Currently, there are three commercial free zones, two of which operate in the capital city of Santo Domingo: the Centro de los Heroes and the other in the colonial quarter of the Atarazana. The third free zone is located at Las Americas International Airport. These zones are devoted to the sales of electrical appliances, cosmetics, perfumes, alcoholic beverages, cigarettes and clothes, among other popular consumer items. There are also three free trade zones dedicated to the production of products and goods for export. ★

## THE ECONOMY

### What are the views of President Antonio Guzmán Fernández concerning the respective roles of his government and the private sector in the expansion of the Dominican economy?

Concerning the roles of the government and the private sector in the expansion of the Dominican economy, President Antonio Guzmán has expressed his Government's proposal to make the farm sector the vehicle for the Republic's economic and social development since our ability to solve income distribution problems including employment, nutrition, balance of payments and promotion of the agro-industrial sector, will depend on its dynamism.

Concerning the private sector, the Dominican Government supports and encourages private investment, both national & foreign, considering that investment by the State should be complementary.

Concerning foreign investment, the President considers this to be essential for economic development and to obtain technology. Similarly, private investment, according to President Guzmán, should be principally aimed at sectors such as agro-industry, mining, tourism, and related industries that help develop exports, while contributing to the process of import substitution.

### In addition to the government's conservative fiscal management, trade balance and low debt ratio service, what factors have contributed to the Dominican Republic's annual growth rate?

In the last decade the Dominican Republic has seen years of impressive economic growth. The principal factors are:

(continued on page 14DR)



Jose L. Corripio E.  
Chairman  
THE CORRIPIO  
GROUP

#### The Time to Invest is Now!

Most humans recognize and enjoy those rare and precise moments when "opportunity knocks". This truism is especially significant in the economic life of private entrepreneurs and investors.

In my opinion, the precise moment of opportunity in the Dominican Republic is now! "Opportunity knocks" for all investors, Dominican and foreign, large and small. Factors which support this opinion include:

- Political stability;
- Low rate of inflation;
- Low-cost labor with vast potential;
- Agricultural and mineral exports challenge imported petroleum costs.

The twenty-member Corripio Group, respectful of these realities, is now in the process of expanding and improving our services to the national market. These concrete factors which support our investment decisions, also justify this invitation to our colleagues in North America.



William W. Dales  
Vice-President &  
General Manager  
FALCONBRIDGE  
DOMINICANA,  
C. POR A.

#### A \$200 Million "Vote Of Confidence"

Falconbridge began exploration in the Dominican Republic in 1955.

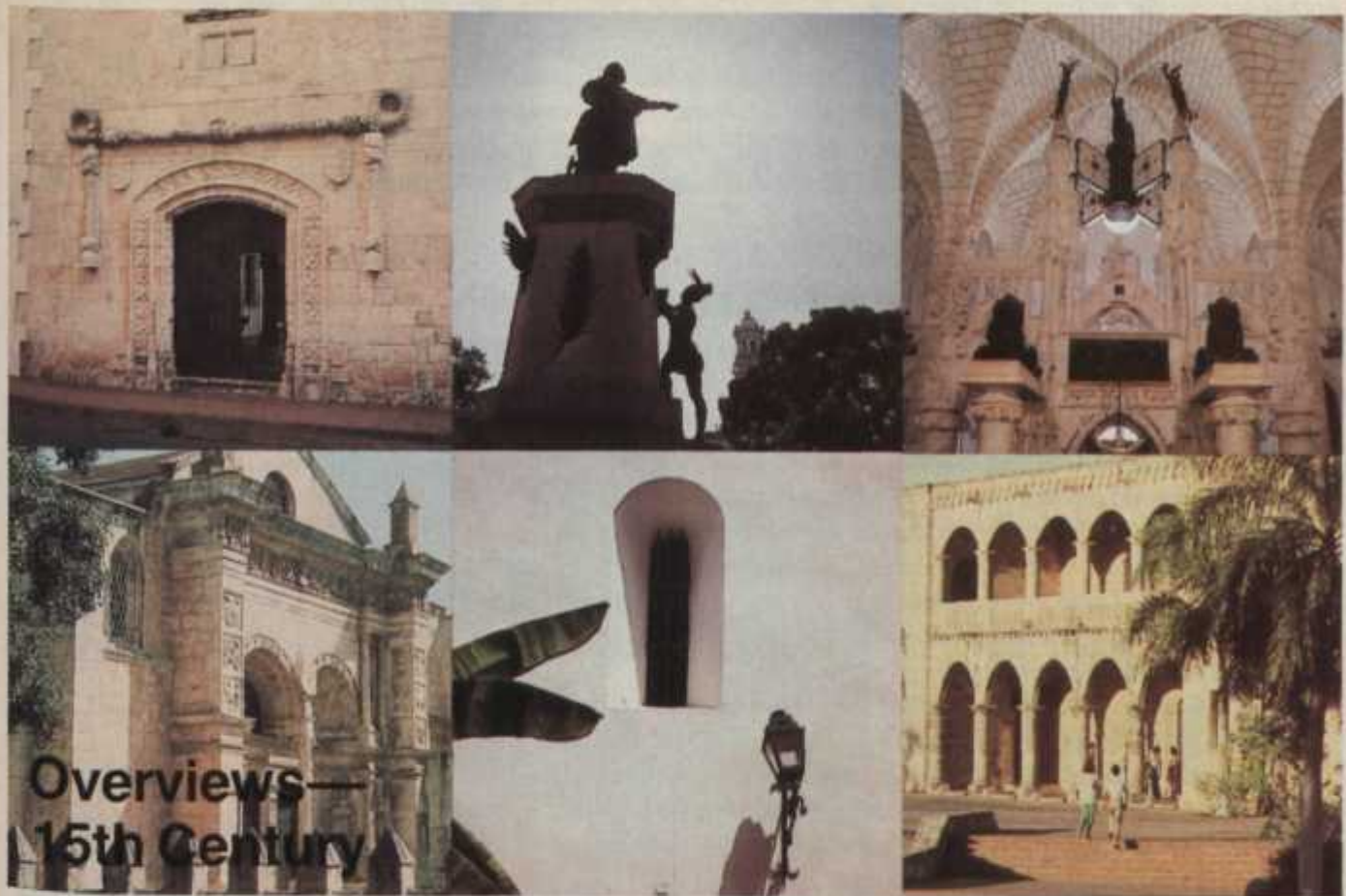
Starting in 1961, and through three successively larger pilot plant stages within the Republic, a process for the extraction of ferronickel from Dominican ores was developed, plus the economic and design parameters for a commercial plant.

Following the 1961 conclusion of financial and governmental agreements, construction of a \$180 million mining and metallurgical complex commenced and was completed in two years—within budget and on time—which represented the largest single private investment in the country to date. The first export shipment of finished product, ready for use by overseas customers, was made in 1971.

Major factors which have contributed to our continuous success in the Dominican Republic include:

- good people, easily trained and eager to learn
- qualified professionals who absorb new technology rapidly
- a well developed national infrastructure
- established governmental and private institutions
- stability through the democratic process



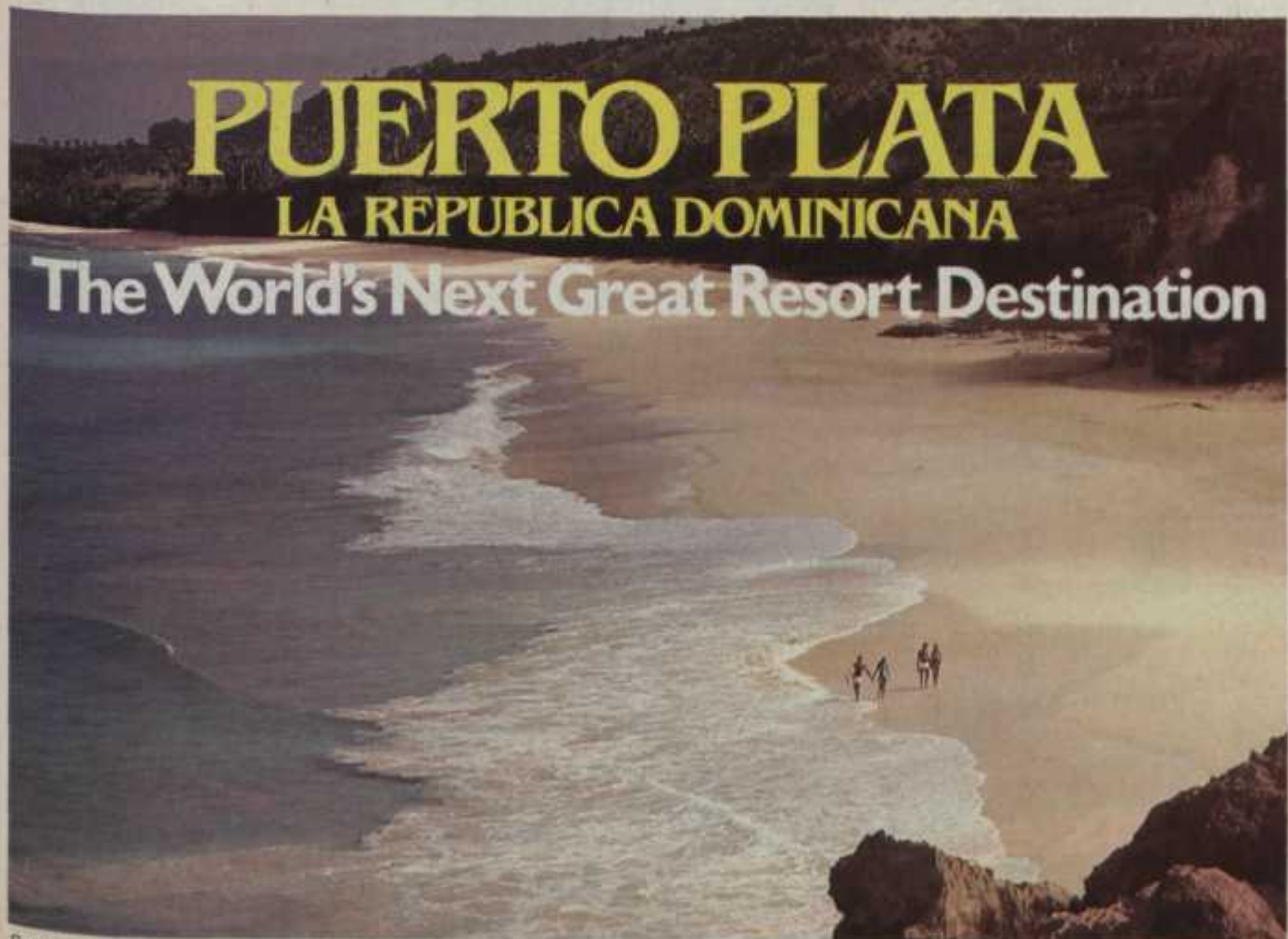


Overviews—  
15th Century

# PUERTO PLATA

LA REPUBLICA DOMINICANA

The World's Next Great Resort Destination



Send for Additional Information to: Director of INFRATUR, Banco Central de la Republica Dominicana, Santo Domingo, Dominican Republic.  
Telephone: 685-6151/6 and 689-7121. Telex: ITT 3460052 BANCEN RCA 4186 BANCEN



*In the Dominican Republic where Columbus touched upon the New World five centuries ago, Gulf+Western is building with pride a cultural bridge from the past to the present.*

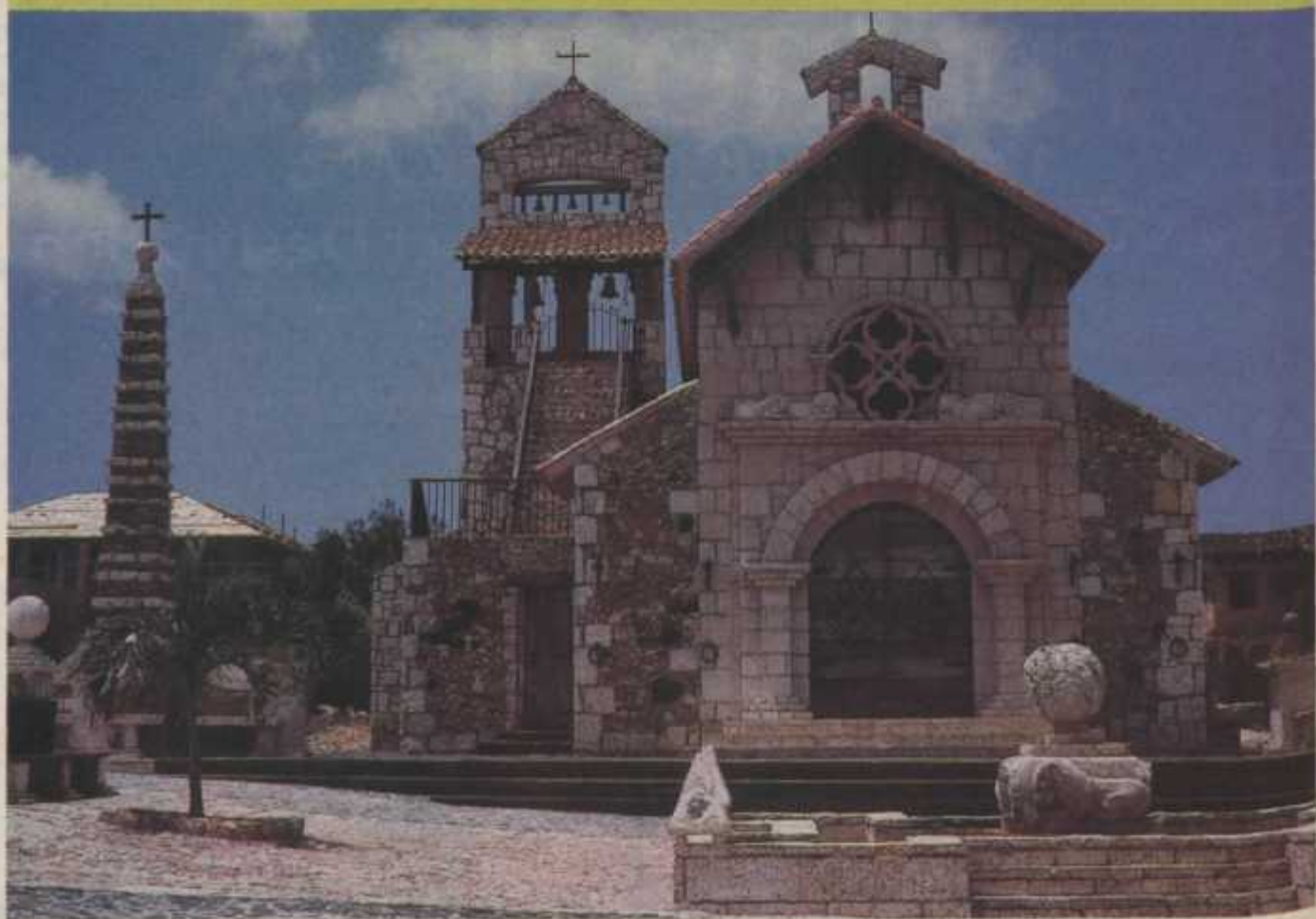
*It is known as Altos de Chavon—a village recreating in this modern age the 15th century atmosphere that Columbus brought to America from his birthplace, Genoa, and his adopted country, Spain.*

*Situated on the cliffs overlooking the Rio de Chavon, with the Cordillera Oriental mountains in the background and the Caribbean Sea on the horizon, Altos de Chavon will be the living expression of the cultural and historic values of the Dominican people.*

*Sculptors, painters, composers, photographers and artists from the Dominican Republic and other lands will soon find inspiration and serenity within the beautiful natural setting of Altos de Chavon—to create, to dream, to interpret, and to help visitors the world over to embark on their own voyage of re-discovery.*

*Dominican architects, artisans and workers are carving out of stone natural to the region, a colony of 30 small casas and villas around the church pictured in the inset above and below. Near the church will be a museum housing a collection of Caribbean Pre-Columbian art, all relics found along the Rio de Chavon, and meant to remind us that there was, even before Columbus, a creative community in that country.*

*Altos de Chavon will enduringly speak to each of us of the beauty and tranquility of an ancient land and a modern striving people.*





# Gulf + Western Hotels in the Dominican Republic

The Dominican Republic has been enjoying a 20% increase annually in the number of tourist visitors. Gulf + Western has been a leader in encouraging this progress and now operates the largest number of hotel rooms on the island in a variety of price ranges.



**Gulf + Western Hotels**



## CASA de CAMPO

HOTEL, VILLAS & COUNTRY CLUB  
AT LA ROMANA

Deluxe resort on 7,000 acres, 2 championship Pete Dye golf courses, 15 tennis courts, 5 swimming pools, riding stable, polo and fishing, 3 restaurants, 176 rooms plus golf and tennis villas. Executive conference center. 6,800 ft. executive jet landing strip.



## HOTEL ROMANA

AT LA ROMANA

A charming inn directly on the water near the Sugar Mill. Pool. Sauna. Boite. Theatre. Plus all sports facilities of Casa de Campo. 78 rooms.



## Hotel Santo Domingo

IN SANTO DOMINGO

New on 14 acres in the city overlooking the Caribbean sea. Large pool. 3 tennis courts. Saunas. Renowned El Alcázar restaurant. 220 deluxe rooms and luxurious suites. Accommodations designed by Oscar de la Renta. Conference facilities available.



## hispaniola

IN SANTO DOMINGO

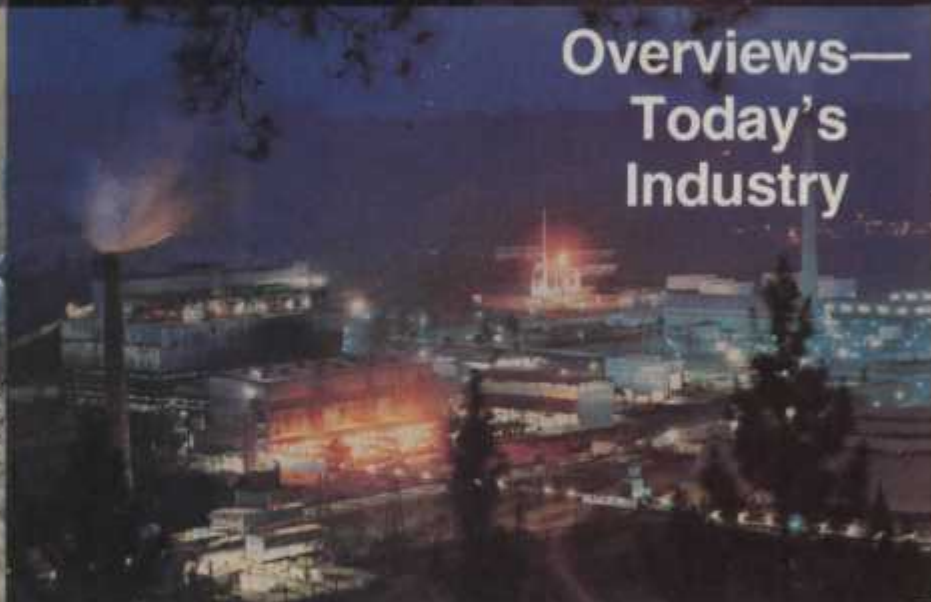
On 10 acres opposite Hotel Santo Domingo. Large pool. Discotheque. Cocktail lounge and dining room. 158 first class rooms.

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New York State call collect 212-333-4100.

Or write Gulf + Western Hotels, Inc., 1 Gulf + Western Plaza, New York, N.Y. 10023.





## Overviews— Today's Industry



**Luis Garcia  
San Miguel**  
President  
**FERRETERIA  
AMERICANA  
C. POR A.**

### New Emphasis: Joint Ventures, Rapid Development, New Markets

The strategic geographical location of the Dominican Republic has been a determining factor in the Republic's growth pattern, mainly in the fields of tourism, trade and construction.

For many years, our Group has been serving the construction industry as wholesalers and retailers of materials. We represent on an exclusive basis such companies as: National Gypsum; The Flecto Co.; Standard Dry Wall Products; Myers International; Black & Decker; Eljer; Kohler Generators; Owens Corning Fiberglass; Remington Arms, and others.

The present trend towards industrialization has brought about trade relations of a new kind. The new trend features joint ventures involving production machinery and technological know-how.

Our Group's emphasis is changing with the evolving needs of the Republic and the goals are clear: Fast Development and the Creation of New Markets . . . both at home and in the entire Caribbean area.



**Carlos A. Morales  
Troncoso**  
President  
**GULF + WESTERN  
AMERICAS  
CORPORATION**

### \$100 Million . . . A Measure of Our Commitment and Faith in the Dominican Republic

Since 1967, Gulf + Western has committed more than 100 million U.S. dollars to economic development and social progress in the Dominican Republic.

In tourism alone, the company has reinvested more than \$40 million to build hotels, resorts and related facilities. And, at the Dominican Government's request, we established an industrial free zone in the city of La Romana. Today, La Romana serves as the manufacturing site for 20 U.S. companies that provide 7,000 Dominican jobs.

We've improved upon our basic business too with \$15 million in expanding and modernizing our industrial operations and diversifying our agricultural activities to produce vegetables and fruit for local consumption.

As a major U.S. corporation, Gulf + Western acknowledges its social commitment to the nation. To date we've contributed \$20 million to build new employee housing; schools; medical facilities; water treatment systems; and roads. Through our charitable foundation, we've also supported many Dominican organizations.

Call it a tangible expression of Gulf + Western's faith in the Dominican Republic. A nation that has shown the world that democracy and free enterprise can work effectively together in Latin America for the common good.



## Foreign Policy

### Echo of 16th Century "Human Rights" Principles

The international policy of the United States has been distinguished during recent years, due to the vigor of its principles of Law and Humanity, that together establish a theme that is uniting men in all parts of the world.

One of the most important achievements of the Charter Organization of the United Nations, subscribed to in San Francisco during 1945 by victorious nations of the Second World War, was the dedication to the principles which protect man's integrity, and which are a repercussion of the French Revolution.

A further step forward was achieved by the Universal Charter of Man's Rights and the InterAmerican Commission of Human Rights, a dynamic entity of the United Nations. These are systemized conquests of the present generation.

If we search, however, for the furthest origin of Human Rights, we must go back almost five centuries to "La Colonia" in Santo Domingo, where a tropical Dominican Adventist, Fray Antón de Montesinos, produced what could be called another "Sermon on the Mount" in this part of the world.

The principles which he advocated succeeded in penetrating the conscience of the Catholic Kings, "Fernando and Isabel of Spain," which found its echo in the wisdom of Padre Vittoria who initiated the first guidelines of People's Rights.



**Vice Admiral R. Emilio Jimenez, hijo**

Secretary of State of Foreign Relations of the Dominican Republic

We remember, also that the "Bahoruco Rebellion", which was in defiance of the power of the Spanish throne, constituted one of the first and most passionate episodes of colonial history during the 16th century.

The Indian Chief Enriquillo, in defense of the rights of Indians on the isle of Hispaniola, was able to conquer for a long time the irreducible soldiers of Carlos V. Thus, the signing of the "Instrumento de Barrio Nuevo", an agreement of power between peers including the Catholic Kings, was in reality, the first treaty of the New World.

These evolutions lead to an idea of the contribution that today's Dominican Republic has ambitiously given to that new ethical and juridical structure known as "Human Rights". And we must recognize that we owe to President Carter the Battles undertaken in the international field, so that "inherent rights" would be respected at all levels in the present civilization.

Loyal to its historic origins, the Dominican Republic took prominent action during the Assembly of the Organization of American States (OAS), held in Granada, when we were able to concretely detail the alternatives of Democracy and Human Rights. We agreed with the criteria of the Delegation presided by the Secretary of State of the United States of America, Cyrus Vance.

Apart from the importance that the Dominican Republic has to the defense of the continent, that is covered in the Reciprocal Assistance Treaty of Rio de Janeiro (TIAR), we are now launching what has become a new ecumenical Crusade, so that security and confidence may reign among all men of good will and among nations that love peace. Therefore the XX Century will be known not only for its destructive nuclear energies, but also for its "Human Rights" energies.



**Ricardo Hernandez, hijo**  
Chairman  
**THE HERNANDEZ GROUP**

#### Opportunities—No Place in the Caribbean Equals the Dominican Republic

The Dominican Republic has a climate favorable to the cultivation of a wide variety of vegetables. The opportunities for cash crops are bountiful.

Our people in the agricultural zones are hard-working, respectful of private property, and eager to learn improved production techniques.

In addition to such stable factors as climate, opportunities and low-cost labor, our Republic works under a constitutional democracy. What more can you ask in terms of a solid location for your next investment?

The Hernandez Group has great confidence in the promising future of the Dominican Republic. The 8 autonomous companies in our single-family Group are highly diversified in such areas as: national waste paper collection; a 100% recycled paper mill; corrugated containers; folding cartons; paper bags; folding and box matches; mushroom growers and canners; processors and canners of soups and vegetables (own labels); trucking; etc. and etc.

Yes, there are many opportunities in the Dominican Republic for small and medium sized businesses. We respectfully invite our colleagues in the U.S. to take a fresh look at our country.



**Luis L. Taveras A.**  
Director  
**IBM WORLD  
TRADE  
CORPORATION**

#### Optimism in the Development of the Dominican Republic

We are proud of the extraordinary development of our operations in this beautiful country.

Within the span of just 16 years, business opportunities in the Dominican Republic have grown significantly and IBM has grown along with them. In view of the still untapped potential of this dynamic country, we foresee the future as equally promising.

Our interest is to maintain the most advanced technology, so that the country can count on adequate technical support and accelerate its development in areas such as agriculture, industry, commerce, banking and government-fundamental factors in the economic and overall development.

We believe the country will continue its rapid progress and we hope to continue to be part of that progress.



### The Economy (continued from page 8DR)

tors which have contributed to those high rates of growth have primarily been the increased emphasis of the government on public investments, the growth of the prices of the traditional export products, and the confidence in the development of a stable and democratic climate that has been maintained.

#### **In view of the triple impact of low sugar prices, international inflation, and imported oil costs, what are the highlights of the Dominican economy since Aug. 16, 1978?**

First, the all-important agricultural sector has been allocated 140 million pesos; this is the highest in the Republic's history. Secondly, the adjustment of both our internal and external financial affairs. Thirdly, the adoption of a set of legislative measures geared towards a better income distribution. Fourthly, the formulation of a rational public investment program using both internal resources as well as those available through international lending organizations. And fifthly, legislation aimed at promoting agro-industries and the export of non-traditional products.

#### **The international financial community has demonstrated confidence in the Dominican Republic's economic policies. Why?**

The underlying reasons for the confidence demonstrated by the international financial community are the results of the positive climate engendered by President

Guzmán's Government; our faithfulness in fulfilling our national and international commitments and the availability of qualified personnel for the economic institutions of the Republic.

#### **What steps are taken to control the rate of inflation?**

In order to control the rate of inflation the government has given the highest priority to increased agricultural production, a rigid control of price supports, a strict control of the volume of currency under circulation, as well as imposing a very meticulous credit and monetary policy which is determined by the Central Bank of the Republic.

#### **What sectors of the Dominican economy are slated for expansion in the immediate future?**

The sectors of the economy that have been singled out for expansion in the immediate plans of the government are the agricultural sector, mining, tourism and industry—primarily the small and medium-sized enterprises.

#### **What is being done to develop domestic sources of non-agricultural employment?**

For the development of internal sources of non-agricultural employment, the government wants to establish new industrial free zones and also a National Committee of Free Zones. The expansion of the industrial sector has been aided through financing of the Fund for the Development of Economic and Social Investment (FIDES), which contributed three million pesos via the Corporación de Fomento Industrial for small to medium-sized industry. At the same time, the Dominican Government attaches great importance to agro-industry, mining and tourism with the appropriate incentives for their respective development. ★



**Frank Marino Hernandez**  
President  
**INSTITUTO DOMINICANO DE ESTUDIOS APLICADOS—IDEA**

#### **Magnificent Opportunity for Business and "Secure Living"**

My activities as a consultant to private enterprise and as an analyst and researcher of economic and social affairs, afford me the opportunity to be thoroughly familiar with the Dominican business world, its realities, problems and perspectives. This permits me to affirm with conviction that the Dominican Republic offers innumerable opportunities in which to invest and obtain excellent profits.

Both domestic and foreign investors find in our country an ideal local market and easy access to all markets of the world. There are abundant local resources and an adequate infrastructure, together with an inexpensive, qualified, versatile and plentiful labor force. Our moderately tropical climate; modern facilities accessible from anywhere in the country; and our close relationship with the United States all contribute to make this country a lovely place in which to live. The peacefulness and public security that prevail throughout the Republic are also important features in a world threatened by so much violence.

Yes, an investment in the Dominican Republic provides both a magnificent business and "living" opportunity for everyone!



**Rafael A. Pimentel M.**  
Administrator  
**IMPLEMENTOS Y MAQUINARIAS, C. POR A.**

#### **Agribusiness Increases by 50%**

Primarily, the Dominican Republic is an agrarian country, and today, there are extensive and promising opportunities for agribusiness.

The country's political climate is stable and favorable for investments. And the private business sector is engaged in making the greatest efforts to foster its development.

We are on the road towards the development of that sector and we are confident that the opportunities for investment are appealing and that the results shall be highly beneficial for both our country and the investors.

Founded in 1945, IMCA now represents such important U.S. suppliers as CATERPILLAR, ROME, JOHN DEERE, WESTINGHOUSE and BARBER-GREEN. Our agricultural business has increased 50% since September, 1978.

Agricultural production and consequently, the agribusiness, are essential to strengthen the integral development of the country. The men and women of the Dominican Republic are determined to offer their contribution to the accomplishment of so important a task.



## EXPORTS

**What is the Dominican Republic's current export pattern and are any changes anticipated? Can the Republic mobilize any existing natural or human resources that may change the present export pattern?**

Dominican Republic exports are presently composed of:

- (a) Primary resources (67%) which include unprocessed foodstuffs, tobacco, and raw materials.
- (b) Intermediate resources (28%)
- (c) Processed foodstuffs (2%)
- (d) Perishable goods (2%)
- (e) Other goods (1%).

This pattern has been retained, with only slight variations, throughout the last few decades. But the Dominican Government is now taking steps to improve it. The Government is trying to increase those manufactured exports in which the Republic has comparative advantages, by introducing new laws for the promotion of exports and agro-industry plus a fresh diversification of exports to new markets.

**What non-traditional Dominican exports are**

**available in the U.S. market? Can other manufactured exports compete in the North American market?**

Non-traditional products in the Dominican Republic which may be presently found in the U.S. market, which represents 76 percent of our export market, are mainly textiles and wearing apparel. These vital exports and the jobs they have created were threatened by the decision of the U.S. government to restrict imports.

**The variety of the Dominican Republic's 1978 exports contrasts dramatically with those of 1958. Why?**

The variety of today's Dominican exports contrasts dramatically with those of 1958 due to the following reasons:

- (a) Increase in economic growth—more specifically, industrial growth during recent years;
- (b) Mining of natural resources;
- (c) Incentive laws
- (d) Creation of an institution aimed at the promotion and diversification of exports—CEDOPEX.

Other important changes are brought about as the result of the export of vegetables and the products manufactured in the industrial free zones.

(continued)



### The American Chamber of Commerce of the Dominican Republic

Hotel Santo Domingo  
Santo Domingo, D.R.

P.O. Box: 95-2  
Phone: (809) 533-7292

#### "Para Servir"

AmCham Dominican Republic was founded in 1923 and has grown along with the Republic. Our AmCham has over 400 members that include the most prominent businesses in the country; our monthly luncheons are considered the most important forum for speakers from the government and private sectors.

But more than that, our AmCham is a service organization that has as its goals the bettering of relations between the two countries and the promotion of trade. We attempt to create and maintain a climate of mutual respect and cooperation between our two countries.

Our Chamber is ready to help potential investors who wish to investigate possibilities in this country. We offer various publications that include: "The Investors Handbook"; "Quarterly Economic Report"; "Noti-News", a Compendium of speeches; new laws of interest to businessmen; maps for the investors; as well as other information. Further, we welcome personal visits from businessmen who seek advice.

Our membership is composed of purely United States controlled companies, purely Dominican and mixed ownership companies—the only basic requirement for admittance being an interest in good relations and the development of business between our two countries.

#### "A sus Ordenes"

The American Chamber of Commerce  
of the Dominican Republic



# The Dominican Republic

## A Businessmen's Dialogue

### Exports (continued)

#### Which, if any, foreign manufacturers use the Dominican Republic as an "export-base" and why?

Foreign manufacturers which use the Dominican Republic as an export base are manufacturers operating out of our industrial free zones. At the present time, three industrial free zones exist in the Republic: (1) La Romana, (2) Santiago, and (3) San Pedro de Macoris. Manufacturers produce textiles, cigars, fruit juices, brushes, electric appliances, etc., all of which are labor intensive products.

Bali, Warners, Maidenform (brassieres; Baltimore, Loric, Hanes (clothing); Consolidated, Clarendon (cigars); Delta (brushes); National Components (computer parts); SMB Corporation (diamond jewelry); GT International (automotive cables); and Fabritek L.R. (disposable sheets) are a representative cross section of the manufacturers currently using the industrial free zones as "export bases."

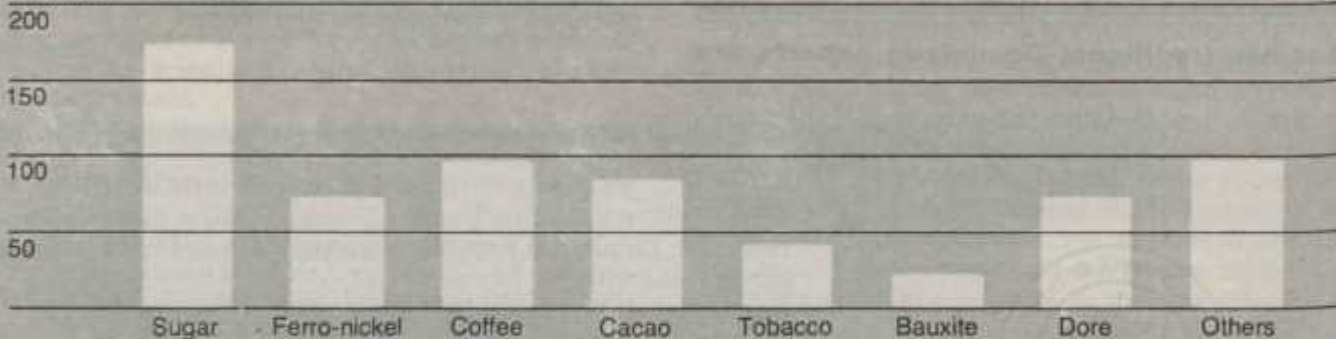
Among their most important reasons are the Dominican Republic's:

- (a) Strategic Location—Center of the Caribbean Market.
- (b) Convenient Distance—Miami is 2 hours by air or 3 days by sea.
- (c) Irrigation System—Excellent cash crops.
- (d) One Island/Two Countries—Gross market totals 12 million people.
- (e) Investors' History—Never a "nationalization."

#### What are the Republic's prime advantages for the establishment of export-oriented industries?

#### Leading Exports of the Dominican Republic 1978

\$ Millions



**Manuel V. Diez**  
President  
**INDUSTRIA  
PETROQUIMICA  
DOMINICANA, C.  
POR A.**

#### Hard Work, Vision and Incentives Mean Prosperity

PETROQUIMICA is the core of a group of industries in the rubber and plastics field that have grown rapidly, due to our country's investment climate and stability which have allowed hard work and vision to prosper. We have been able to expand and integrate our plants according to the needs of our market. One important factor in this process has been the Government's policy of incentives, not only to industry but also to tourism, agriculture and agro-industry.

Our geographic position in the Caribbean is privileged; it implies rapid access and easy communication with markets in the area and with the sources of raw materials and technology.

Having greatly improved our efficiency, we can now think in terms of exports for the benefit of our companies and our country, as we are now able to keep costs at very competitive levels.

The Dominican Republic is a growing market, accepting advanced business methods, and is an excellent base from which to operate for the whole Caribbean Area.



**Juan R. Portela B.**  
President  
**INDUSTRIAS  
PORTELA, C.  
POR A.**

#### "Special" Agribusiness Potential

The government has identified agribusiness as an area worthy of special attention, and new legislation is currently being considered to provide specific incentives in the agricultural sector.

With a year-round growing climate for some crops, and the increased reliability of water available for irrigation (resulting from massive investments in infrastructure), the ability to plan for specific field yields is improving. New activities either recently instigated or in the final planning stage include: castor oil beans, pineapple, citrus, avocados, plus chocolate and meat processing.

The record of political stability in this country warrants the long-range planning that capital intensive agribusiness requires. Our food processing company has been expanding steadily, as ample testimony to our feeling of confidence about the future.



Three prime advantages for export-oriented industries are:

- (a) The law covering free zones now exempts investors from regulations governing raw materials, imports and exports as well, plus all import and export taxes. Those companies established in the free zones are also exempt from the Central Bank's exchange rate.
- (b) Another law exempts for 20 year periods those companies established in the free zones which manufacture products for export, from all import taxes on raw materials, machinery and equipment; from income taxes, patents and all municipal taxes imposed, as well as those duties relative to the formation of a company.
- (c) Still another law returns 95% of the total amount of any taxes paid on imported raw materials, semi-processed products, as well as the tax on packaging materials used by these products.

Additional advantages are the availability of inexpensive and abundant manual labor, the proximity of the U.S. market, and excellent global communications. There also exists a climate of economic, political and social stability.

---

**What major imports could be manufactured or assembled within the Dominican Republic?**

Textile, electronic and mechanical products that require intensive manual labor or those which require little or no petroleum based products.

---

**Identify the untapped opportunities within the Republic for export-oriented industries.**

The opportunities of which the industries oriented towards exports have taken least advantage relate to the utilization of tropical products available locally or which are cultivated in the country and which would have or already have an established acceptance in the consumer markets of the industrialized countries. To this one could add the artisan products made from tropical vegetable fibers and also the use of intensive manual labor in weaving and artisan manufactured textiles.

---

**How developed are the Dominican Republic's port facilities and shipping services?**

The Dominican Republic possesses many ports for unloading cargo: Santo Domingo, Andres, San Pedro de Macoris, La Romana Barahona, Puerto Plata, Manzanillo, Cabo Rojo, Sanchez and Haina (which is being expanded with \$36 million financed by the IBRD, to be a model port for the Caribbean). Container ships service US ports weekly by Sea-Land, and Sea-Train, via the ports of New York, Baltimore, Charleston, and Jacksonville. ★



The merengue is a part of our way of life. So much so, that we've created a Folklore Ballet to keep the art alive. And there is more. Fine restaurants. Casinos. Nightclubs. Discos. Beaches. Sports. History Culture. Theatre. 41 hotels. And



the smilingest people in the Caribbean. Excitement night and day in the Dominican Republic. See your travel agent or write to the Dominican Tourist Information Center, Dept. NB, 485 Madison Avenue, New York, N.Y. 10022.



# The Dominican Republic

## A Businessmen's Dialogue



### ACKNOWLEDGEMENTS

This "Businessmen's Dialogue" is sponsored by the Public Relations Office of the Presidency of the Dominican Republic, plus 25 private business interests and 3 State enterprises.

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### INQUIRIES

Correspondence addressed to private participants may be sent to the New York office of Sullivan Sarria at 299 Park Avenue, New York, N.Y. 10017 for immediate forwarding to the correct address in the Dominican Republic. Forwarding envelopes marked "confidential" will be respected.

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## The "First" Country

The Dominican Republic:  
cradle of the Western Hemisphere

and Santo Domingo: first city in the Americas.

The charming beauty of our shores and our lush vegetation dazzled Christopher Columbus on discovering the island on December 5, 1492, on his first voyage to the New World.

The Indian population was generally peaceful. They were fishermen and hunters, slept in hammocks and smoked tobacco leaves. Samples of their handicrafts, customs and rites can be seen today.

The first permanent European settlement on American lands was founded on November 7, 1493. Its ruins still remain near Montecristi, in the Northeast. The Spaniards later founded Santiago de los Caballeros (in honor of their patron saint). On August 4, 1496, Bartholomew Columbus—brother of the Discoverer—founded New Isabella, later renamed Santo Domingo, which eventually became the capital of the island.

Santo Domingo became the center whence Western culture and civilization spread throughout the Western Hemisphere. The main discovery and colonization expeditions sailed from our capital. The very earliest Spanish buildings and institutions in the Americas were established here.

Diego de Velázquez sailed from Santo Domingo to settle Cuba, Juan Ponce de León to discover and settle Puerto Rico and Florida, and Hernan Cortés to Mexico.

In 1494 the first City Hall was built. In 1511 the first hospital, named San Nicolas de Bari (whose ancient ruins can still be seen) was constructed. In 1504 the first Archbishopric See in North America was established.

Construction of our magnificent Cathedral Santa María la Menor, the oldest in America, was begun in 1514. In 1538 the first university in the new world, named Santo Tomas de Aquino, was established.

Our cover features a view of our Cathedral, the tomb of your and our Discoverer, don Christopher Columbus.



Hugh Brache  
President  
ROSARIO  
DOMINICANA, S.A.

### A Gold Mine Within a Gold Mine!

Rosario Dominicana S.A., the largest gold mine in the Western Hemisphere, is a joint venture between the Dominican Government (through its Central Bank holding 46% equity interest) and private enterprise represented by Rosario Resources Corporation of N.Y. and Symplot Industries, both U.S. concerns holding 27% equity each.

We in Rosario Dominicana take pride in our contribution to the increasing development of this peaceful and democratic nation, with over 100 million dollars in exports of gold and silver expected this year.

The other "gold mine" is yet to be fully exploited and takes the form of a lovely island of great beauty; a nice climate; free zones for industry; a large available labor pool; and only 2 hours away from Miami by plane.

Come down and do some prospecting!



Roberto Bonetti  
Director  
SOCIEDAD  
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### Business Within a Democratic Environment

Our Company has been operating in the Dominican Republic for 42 years. We are firmly established in the agricultural and manufacturing sectors and are producing: edible oils, margarine, shortening, soaps, detergents, animal feeds, poultry and corn milling products. We are currently undergoing a large expansion of our manufacturing capability and are extending our investments in the agricultural sector.

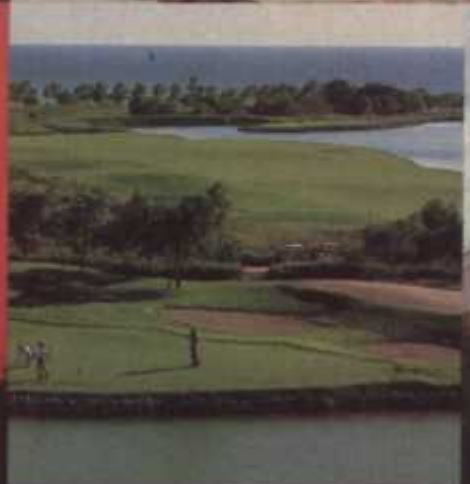
A large potential for investment exists in the country and our strategic location in the Caribbean, together with our Government's commitment to attract further investment from the private sector, will provide the necessary stimulus for advanced growth and development.

We are confident in the present and future of our country. Continued political maturity, combined with the ability to do business within a democratic environment, make the Dominican Republic an attractive country for your investments.





Visitors'  
Overviews



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**CODETEL**





## When Working for a Living Is a Joke

Joe Griffith is a real comedian. He earns a six-figure income from telling jokes, and everybody except his mother thinks he's funny.

Mr. Griffith, who worked in Dallas, Texas, as a stockbroker after graduating from the New York School of Finance, decided to be funny for a living after winning the best entertainer award at the 1974 Dallas Press Club's Gridiron show. He believes that good comics are born, not made.

"I was always the class cutup," he says. "Being funny as a child is a problem. Humor is a curse before it becomes a gift. A five-year-old will be punished for the kind of smart remark a comic will get paid for."

The pay comes from civic groups, businesses, and trade and professional associations that want to lighten the often heavy mental menus served at meetings and conventions.

"My job is to make people forget a 12 percent prime rate and the problems of inflation," says Mr. Griffith. "I swore off offensive jokes, purely as a personal matter. The guy who hires me never has to apologize to people after my spiel."

The line between giving offense and prompting guffaws is best explained by comparing the drinking problems of Betty Ford and Billy Carter. "I had a line: If Betty Ford had a drinking problem, how come President Ford was always falling over?" Mr. Griffith recalls. "That's funny because Mrs. Ford has cured her problem. But similar jokes about Billy Carter are not funny. His problem is too serious to laugh at."

"Other jokes are just topical and quickly lose their appeal. I had a one-liner that Woody Hayes wasn't really trying to hit that football player, he wanted to congratulate him by shaking his neck. That got less laughter as each day passed."

Mr. Griffith has proven his drawing power by doubling attendance figures at certain conventions and meetings. He is already booked through most of 1980. A third of his 180 appearances a year are repeaters, and he no longer has to sell



Joe Griffith... humor that is squeaky clean and refreshingly funny.

himself to groups—the word is out. He was forced to turn down close to 100 jobs last year. And he never cancels at the last moment, as too many politicians habitually do.

While comedians may be born, making the gift work is hard work, says Mr. Griffith. "People don't realize how hard I work to make my act look effortless. It's like any creative endeavor. People look at a picture or a painting or read a book or a magazine and never understand the physical exertion and mental strain that produced them."

"A 45-minute talk is equivalent to four hours of hard labor. I sleep a lot on planes. I had to learn to do that. I am super organized. I keep a record of everything I say wherever I go. I know what material I used, and what is still fresh."

What makes a joke funny? What makes people laugh? The theories abound, but Mr. Griffith says: "The whole idea for a joke is to take people in one direction and end up in another. Humor is nothing but misdirection. You get people thinking about one thing, and then you drop the punch line on them."

"You can take one word out of a joke and ruin it. Or stick one word in, and the joke will go from a three-second laugh to a five-second laugh."

Example? "It's an oldie," says Mr. Griffith. "I can remember when the Catholics and the Baptists used to hate each other. It was just part of being a Christian. Now, if you replace the word, hate, with something like, 'didn't get along,' you ruin the joke. Hate is so opposite of Christian that it's funny. And true."

For Joe Griffith, humor is no joking matter.

## MAI Keeps the Growth Curve Smooth

Raymond P. Kurshan is a certified public accountant who figured out how to subtract \$65 million a year from IBM's multi-billion sales and make the results add up to a profit.

In 1958, Mr. Kurshan was happily minding his own New York City accounting firm and auditing the books of Management Assistance, Inc., then a New York consultant to the data processing industry.

After a government decree forced IBM to sell its rental equipment to companies that lease, MAI came up with a scheme to buy the equipment from the lessees and rent it back to them.

"At the time," says Mr. Kurshan, "MAI offered an alternative to IBM, which controlled 80 percent of the industry. MAI salesmen were going around the country buying IBM and other companies' equipment from lessees, then leasing the machines back for one, two, or three years at less cost and with faster service."

Then the program went haywire. What happened could perhaps have been foreseen, but "hindsight is always 20-20 vision," says Mr. Kurshan, who by 1961 had joined MAI.

IBM introduced the 360 computer series, which overnight antiquated much of the punch card equipment that MAI was buying up and leasing.

"As the 360 replaced older machines, customers were terminating their leases with us, and our rental equipment was coming back in carload lots," Mr. Kurshan recalls. "By September, 1970, we ended up with a negative net worth of \$28 million, which was supporting about \$114 million we had borrowed to pay for the equipment. It was not an encouraging picture."

With bankruptcy looming, Mr. Kurshan spent the next nine months working out plans to recapitalize the company and restructure its management. That meant generating cash, and MAI decided to sell its rental equipment. But who would buy obsolete punch card machines?

Mr. Kurshan explains: "When a company comes out with a new computer, everybody thinks the old machines go out the back door. That



doesn't happen. Most customers don't have to have information processed ten times faster today than it was yesterday. There was plenty of market for the older equipment."

Mr. Kurshan and MAI weren't content with merely selling old stuff. They decided in 1971 to grab a piece of the market ignored by IBM—small business.

"Companies cannot be all things to all people," says Mr. Kurshan, who today is chairman of the board and president of MAI. "IBM had studied the small business market and had concluded that selling a computer at a price low enough for small businesses to afford would not be profitable."

MAI's small business computer was named Basic Four System, and its success refuted IBM's conclusion. In fiscal 1978, MAI Basic Four System sales were \$120 million. More than 6,000 systems have been installed worldwide. But in the early 1970s, MAI had to sell the small business owner on the idea of using computers.

"The small business person was accustomed to turning ledger pages and seeing who owed what," says Mr. Kurshan. "When IBM got into the small business computer in the mid-1970s, it in effect blessed what we had been preaching all along."

In 1977, MAI added the Wordstream word processing system to its product line. Including its extensive maintenance and service division, the company's sales exceeded \$200 million in fiscal 1978, and are expected to grow by about 27 percent this year.

"The market is expanding all the time because the cost of equipment is decreasing," says Mr. Kurshan. "The temptation to expand rapidly is very great. But we intend to grow only as much as our capabilities will permit. Our sales and profits lines are not sawtooth curves."

Mr. Kurshan has programmed MAI to keep those curves smooth.



Ray Kurshan... management that keeps the sales and profits curves smooth.

## Diamonds Are Tony Seymour's Best Friend

Anthony C. Seymour is not a diamond in the rough. But he mines a lot of them from ten miles of gravelly coastline 200 miles north of Cape Town, South Africa. His firm cuts the diamonds, authenticates their quality, and sells the finished product to investors.

Mr. Seymour's links with diamonds began with his father, who owned a chain of jewelry stores in Northern California for about 30 years.

"My father admonished me to do something else with my life," says Mr. Seymour, who is president of Charles Anthony Diamond, Inc., in Salt Lake City, Utah. "He worked 12 hours a day, six



Tony Seymour... diamonds that increase in value by 25 to 30 percent a year.

days a week in the stores. It was a hard way to earn a living.

"After I got my marketing degree, I went into an executive training program at a big department store in San Francisco. When you completed the program, you got a white plastic flower and a blue pencil. That was to authorize transactions over \$10. The really big deals, I quit the day I got my blue pencil and joined my father."

Mr. Seymour agreed to manage his father's stores while his parents took a three-month European vacation, their first time off in 20 years. He planned radical changes in the business, based on his newly acquired expertise. "It was a disaster," he recounts today. "My theories didn't work. Whatever the trip cost them, multiply that five times for the losses I incurred."

Mr. Seymour went back to school for accounting courses and worked part-time at the stores. He became interested



Hidden in South African gravel are stones that will be cut into high-quality gems.

in diamonds at a jewelry convention, where his father sold \$300,000 worth of diamonds in two days.

"De Beers controls 85 percent of the world diamond market," says Mr. Seymour. "Sales last year were reported to be in excess of \$2.5 billion. With our South African property, we could control maybe one percent of what's left, but we're happy to take the crumbs—they're pound cake for us."

Diamonds are a recession-proof investment, according to Mr. Seymour. "Probably the worst year for diamonds was in 1970, when their value increased only 18 to 20 percent. I think 1979 will be that kind of a year, but the average increase in value is 25 to 30 percent a year."

"Last year, the entire world's supply of investment grade diamonds would have weighed about 50 pounds," he adds. "Compare that with a week's production of dollars in the United States—one billion a week or 50 tons of twenty-dollar bills."

How do investors know that the diamonds they buy haven't come from Mrs. Wellington? Mr. Seymour, who with the backing of other independent dealers founded the Gold and Diamond Exchange, points out that every investment diamond should be analyzed by two of the four gemological laboratories in the nation to certify its color, clarity, weight, and cut.

"Dealer certificates are worthless," says Mr. Seymour. "Investors should never buy a diamond that doesn't have the proper certification."

Meanwhile, back in South Africa, an ordinary farm tractor carrying a suction pump and hose sucks up the pockets of gravel that divers have spotted in the surf as probably containing diamonds.

"We're finding seven to ten carats of diamonds per cubic yard of gravel," says Mr. Seymour. "As a bonus, rock lobsters travel through the suction hose intact. They might be in shock, but they're still good eating."



## Deregulation Boosts Aircraft Sales

General aviation sales are booming, with sales of jet aircraft taking the lead.

"In 1975, just four years ago, our industry reported billings of \$1 billion for the entire year," says Edward W. Stimpson, president of General Aviation Manufacturers Association. "In 1979, we reached that amount after only six months."

During this period, sales of jet aircraft increased 34.7 percent. Turbo-prop sales were up 28.2 percent and multiengine planes, 20.8 percent, in the same period.

John Meyer, communications director for the association, attributes the increased sales to airline deregulation, decentralization of the industry, and new Federal Aviation Administration regulations permitting commuter lines to use larger aircraft.

"With airline deregulation, major airlines stopped serving many smaller towns, leaving a lot of companies that had moved away from major cities without service," he said. To fill that gap, some companies bought their own planes, and commuter airlines increased service.

Of the 8,863 aircraft delivered in the first half of 1979, 2,208 aircraft—25 percent—were exported, an increase of 18.9 percent over 1978. Canada is the major purchaser, followed by Germany, Great Britain, Mexico, and Venezuela.

### New Framing Design Strengthens Houses

A new framing system for houses is more efficient and economical than the traditional method, the Agriculture Department's Forest Products Laboratory reports after building a prototype.

The laboratory says the framing system uses 30 percent less lumber. The house is generally stronger, can be built faster, and has greater flexibility for room arrangement than houses with conventional frames.

The design for the lightweight, trussed-frame house evolved from research into damage caused to resi-

dences by the 1964 Alaska earthquake, the 1975 tornado in Nebraska, and several hurricanes off the East Coast.

In such disasters, houses generally came apart at the seams—the entire roof was torn off, or the house itself

was lifted off its foundation. In the new design, the floor truss is a row of triangles inside a long rectangle.

Joints in the roof and floor trusses and the points at which wall studs connect to the floor and roof are held with



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metal plates, each with dozens of nail-like prongs.

The result, the laboratory report says, "is a rigid frame that can support loads better because pressure on any part of the frame is distributed throughout. The parts act together to resist gravity, snow loads, wind, and other forces."

Builders can construct the entire frame from two-by-four lumber instead of the more expensive two-by-eight and two-by-ten boards normally used. In addition, the report says, "the frame's greater strength lets builders space wall studs and trusses 24 inches apart instead of the usual 16 inches."

"Because trusses can be designed to span the width of most homes, supports are not needed in the basement, and load-bearing walls are not necessary on the first floor."

## Polyethylene Supplies Predicted to Tighten

Low-density polyethylene will be in very short supply through 1981, according to a forecast by the U.S. Industrial Chemicals Co.

John K. Moffett, vice president for chemicals and plastics at the firm, says: "With little new production capacity scheduled until 1981, plant operating rates will hold at maximum levels: 93 percent in 1979 and 1980 and 94 percent in 1981. Users would be

wise to rein in their expansion plans until supply loosens, unless they get a guaranteed source of supply for their additional requirements."

Mr. Moffett adds that in 1982 new plants will increase capacity by 11.2 percent over 1981.

Low-density polyethylene is widely used in packaging of items such as milk, frozen food, bread, and produce, and is made into dry cleaner garment bags and industrial box and drum liners.

## New Orders Will Boost Aerospace Employment

The aerospace industry will hire 100,000 more people this year than previously predicted because of new orders for commercial aircraft. The Aerospace Industries Association of America says the industry will have more than 1.1 million employees, an increase of 23 percent since December, 1977.

Much of the growth can be traced to improved finances of U.S. scheduled airlines, increased use of aircraft because of promotional fares, new routes, the necessity of meeting new federal noise regulations, and the need for more fuel-efficient aircraft. The result has been a wave of new orders for commercial transport aircraft, creating a \$16 billion backlog as of January.

Even with the increase in employment, however, the level is well below 1968 when a record 1.5 million people were employed in the aerospace industry. Employment dropped below one million in 1971 and did not climb above that mark again until six months ago.

Aerospace industry employment is highest on the West Coast, where more than 40 percent of all aerospace jobs are located. New England has 14 percent, the Middle Atlantic states have ten percent, and the remaining 36 percent are scattered throughout the United States.

## Power Company Banks on Brine

Southern California is a hotbed of hot brine. The abundance of that resource has prompted the Southern California Edison Co. to explore geothermal energy as a partial answer to present petroleum shortages. Construction has begun on a relatively small 10,000-kilowatt electric generating plant that will be powered by geo-



This new geothermal power plant in the Imperial Valley in California will use clean dry steam produced from hot brine.

thermal steam produced by the Union Oil Co. of California.

"We hope this geothermal unit will lead to a new alternative energy source and help to overcome our present dependence on foreign oil supplies to generate electricity," says Jack B. Moore, the power company's vice president in charge of advanced engineering.

The \$16 million demonstration plant near Brawley in California's Imperial Valley is expected to be operational next year. The plant uses a centrifugal steam separator developed by Union Oil to avoid the corrosion caused by hot brine. Earlier geothermal efforts found that scaling up of salts from the brine hampered the production of clean dry steam.

If the plant is successful, enough geothermal steam could be produced from hot brine to power several additional Edison electric generating units. The Brawley field alone could provide enough power for a community of 300,000 homes, says Mr. Moore.

## Growing Demand for Forest Products

Long-term prospects for the U.S. forest products industry are bright.

A study by SRI International, a non-profit research organization based in Menlo Park, Calif., says the industry will have expanding markets and increased profits over the next 20 years.

Donald Green, director of SRI consumer industries center, anticipates that the industry will face no serious obstacles to financing the expansion required to meet expected growth in consumption.

He says that U.S. firms, with access to vast forestlands in the South and



Low-density polyethylene, stored here in U.S. Industrial Chemicals Co. silos, will be in short supply until 1982.



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the Pacific Northwest, will become net exporters of all types of paper except newsprint. However, most firms will probably continue to concentrate on the large and growing U. S. market.

"Companies throughout the world will continue the trend toward vertical and horizontal integration to secure, diversify, and expand markets," Mr. Green says.

He expects the United States, Canada, Europe, and Japan, now the world's top consumers of paper and paperboard, to maintain their 75 percent share.

PHOTO: ENERGY DEPARTMENT



The energy savings expected from a new heat-pump water heater should pay for the unit within two years.

## New Water Heater Could Cut Costs

A heat-pump water heater developed by Energy Utilization Systems, Inc., of Pittsburgh, for the Energy Department, promises to heat water with one half to two thirds of the energy used by conventional electric water heaters.

The heat-pump heater obtains part of its heat from the surrounding air. Field tests of 100 heaters in homes across the country have begun and will continue for the next year.

The Energy Department estimates that when mass produced, perhaps by 1981, the 82-gallon water heater will cost \$250 more than a conventional heater, about double the price. However, the department says, the units could pay for themselves in two years or less. Water heaters now account for about 20 percent of the energy used in a home.

52D

## Office Space Grows Scarce and Expensive

Firms seeking new or additional office space may have to get in line and pay top dollar in many areas.

In a survey of available and leased prime office space in 18 major markets, the Office Network, Inc., an organization of national real estate firms, has found occupancy averaging a strong 93.4 percent. The range varies from 87 to 99 percent.

Stephen Montgomery, president of the firm, says: "It's a seller's market. A few years ago, there was an abundance of prime office space, but little demand. New office buildings in major markets were standing 40 to 80 percent vacant."

As a result, says Mr. Montgomery, new construction dropped off sharply. Construction has picked up in the past year, but still lags behind demand, he says.

The combination of increased demand and trailing construction has squeezed rental rates on new leases up to a national average of just under \$12 per square foot.

The Office Network survey found occupancy rates of 98 percent or higher in Boston, St. Louis, San Francisco, and Washington, D. C.

## Recreational Vehicles Face Sales Slump

The Recreation Vehicle Industry Association, in a revised forecast for 1979, now predicts a 40 percent decrease in shipments from last year. Earlier, the association had predicted only a five percent decrease.

"Consumers are being overwhelmed with horror stories about gasoline availability," says John Agno, chairman of the association's market analysis committee. "People who would ordinarily be buying right now are holding off until they find out what's going to happen."

Shipments for 1978 totaled 389,000, not including multiuse vehicles such as van conversions, pickup trucks, and specialty vehicles. The association expects that only 235,100 recreational vehicles will be shipped in 1979.

Motor homes are expected to fall off by 47 percent, and towable vehicles such as travel trailers and fold-down campers, are expected to be down 35 percent.

In the unlikely event that the gasoline situation turns around, Mr. Agno

says, shipments would still fall far below last year's. "Most manufacturers have now geared down and would be unable to handle any rush on the market if there were one."

## Largest Wind Turbine Producing Electricity

More than 200 years ago, Daniel Boone left his home in North Carolina to help open the American frontier. Today, in Boone, N. C., where Daniel maintained a cabin, is a frontier of another kind. The use of wind as a source of electric power is being tested on a giant scale.

The world's largest wind turbine, built by General Electric Space Division for the Energy Department and the National Aeronautics and Space Administration is now feeding electricity directly into the Blue Ridge Electric Membership Corp. power grid.

Doubling as a major new tourist attraction in Boone, the turbine windmill operates when the wind blows between 11 and 35 miles per hour. By varying the pitch of the two 100-foot steel blades—each as long as the wingspan of a Boeing 747—a constant 35 revolutions per minute is maintained. In winds of less than 11 mph and more than 35 mph, the blades are feathered and the system shuts down.

At the optimum wind speed of 25 mph, the 2,000 kilowatts generated can power 300 to 500 average homes.

This peak power output is ten times as great as three other experimental wind turbines. "This turbine brings the wind generating industry to an unprecedented stage of sophistication," says Lee L. Farnham, general manager of GE's Space Division. □



The propeller blades of the world's largest windmill at Boone, N. C., measure 200 feet from tip to tip.



# Washington Report

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# Converting the Regulators to the Rule of Common Sense

Year-old council coordinates agencies' efforts in cutting duplication and compliance costs



Douglas Costle, chairman of the Regulatory Council, says reform of costly regulatory rules has begun but "no one has a magic bullet or an automatic prescription. Anyone who says that he has is wrong."

By Michael Thoryn

**S**LOWLY, very slowly, reform is reshaping the way the federal agencies work.

The administration, Congress, and even some regulators are warming to the task long championed by business. The facts that some zealous agencies have carried regulation to excess and that the burden frequently falls on small business, which is least equipped to handle it, are no longer debatable.

However, pruning needless regulations will take years, says Douglas M. Costle, administrator of the much-criticized Environmental Protection Agency.

"The rule book didn't get to the size it is overnight. It grew incrementally," Mr. Costle says. "It will be reduced incrementally."

One key to shaving the costs of regulatory compliance, which were estimated at up to \$100 billion last year, is the fledgling Regulatory Council, chaired this year by Mr. Costle.

The council, formed a year ago as part of President Carter's reform push, has a staff of ten professionals, a relatively tiny \$3.2 million budget, and modest offices a block from the White House. The council's job is to coordinate the sometimes conflicting, often burdensome regulations turned out by 35 federal agencies.

Members of the council include the 16 executive departments such as Commerce and Transportation and 19 independent regulatory agencies.

"We're trying to be an umbrella organization so there can be better com-





As director of the Regulatory Council, Peter Petkas is trying to coordinate the sometimes conflicting, often burdensome, regulations of 35 agencies.

munication and more cooperation," says Peter J. Petkas, full-time director of the council. "We're prepared to bring niggling matters to high levels of attention."

### Prodigious output

The first regulatory agency, the Interstate Commerce Commission, was formed in 1887 to set railroad rates and issue licenses. It told a specific industry what it could not do.

In the 1960s and early 1970s, Congress began writing laws to tell industries what they had to do. Twenty-six new agencies were created to implement these laws. Today, more than 90 different bureaus and offices issue about 7,000 rules a year, fill 75,000 pages in the *Federal Register*, and employ more than 100,000 workers to develop, write, and implement regulations.

"There was a prodigious output of regulations in the 1960s and 1970s to meet social goals of protecting health, safety, and the environment," Mr. Costello explains. "Elected representatives were busy rewriting the social contract for business. As a result, the executive

branch is staggering under the weight of trying to manage regulations.

"No one has a magic bullet or an automatic prescription. Anyone who says that he has is wrong," he asserts.

Who, for example, can find a certain course through a Transportation Department rule for automakers to boost miles per gallon while EPA requires mileage-cutting emission control devices?

Who can reconcile calls to ban saccharin because cancer turned up in rats fed massive doses of the synthetic sweetener with the dietary needs of the overweight?

### Reducing hassle

President Carter is solidly behind regulatory reform. He wants agencies to consider costs as well as benefits. Although he acknowledges that regulators are well-intentioned, the President has proposed an assault on "needless rules, excessive costs, duplication, overlap, and waste."

How can the Regulatory Council help?

Mr. Petkas says he wants to make regulatory decisions more effective. "We may find significant information that various agencies haven't been sharing with each other," he says. "We want agencies to work together and not be involved in constant conflict or minimize whatever conflict there is."

"If we can demonstrate in three or four areas that we are able to bring together people who are responsible for these laws, show some progress in reducing the hassle factor, and resolve some specific complaints—then we will have accomplished a major part of our mission," he says.

### Cost estimates

So far, the council boasts one accomplishment—a regulatory calendar that lists 109 rules, estimated to cost at least \$100 million annually, being considered by 20 agencies. The first of its kind, the calendar is considered a road map of regulatory thinking.

"By placing contemplated regulatory actions on the calendar, the right hand can see what the left hand is do-

ing," says Mark Schultz, a regulatory attorney at the Chamber of Commerce of the United States. Regulators who don't normally talk to their counterparts at other agencies can see which industries are about to be victims of multiple regulations, he says.

However, some agencies, such as the Securities and Exchange Commission, say their independent status excludes them from participating in the calendar and exempts them from any council action.

General Motors welcomed the calendar as a first step toward efficiency in regulation. But, says GM spokesman John J. Hartnett, Jr., "we were concerned about the absence of any proposed rules from the Federal Trade Commission or the National Highway Traffic Safety Administration."

"Until all agencies participate, the calendar will not be an accurate aid in identifying potential overlap and inconsistencies," he says.

### Legal consultant

Mr. Petkas, who was a legal consultant to consumer activist Ralph Nader and worked at the Office of Management and Budget before coming to the council, acknowledges the problem.

An update on the 109 regulations in the first calendar was published last month, and an expanded calendar with more detailed information about proposed rules, likely costs, and regulatory alternatives is set for November. Several agencies that did not participate in the first calendar are expected to submit proposed rules for the second one.

Beyond the calendar, the council plans to study the economic impact of regulations on the auto and steel industries—U. S. Steel, the nation's largest steel manufacturer, is spending 30 percent of its capital budget for pollution control projects—and on housing, coal, hospitals, carcinogens, and financial institutions. Nonferrous metals is being considered for a study.

These projects will require what the troubled industries don't have—time. The council must work painstakingly with the agencies; it cannot coerce.



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Also, there is the fox guarding the chickens syndrome: Can regulators be trusted to regulate themselves?

Yes, regulators can police themselves, says John D. Freshman, the council's associate director. "Regulators know an agency's programs and problems."

### Inevitable delays

But difficulties and delay are inevitable. Warren B. Buhler, publisher of the *Regulatory Eye* newsletter in Washington, D. C., says: "A regulatory council made up of regulatory agencies is bound to have an almost schizophrenic view of its role. It is trying to improve regulation in an atmosphere that is antigovernment and antiregulation. The council is looked upon with some suspicion by the agencies, but a coordinating body of some kind is needed."

Taking a longer view, Mr. Buhler adds: "People don't realize how the issues of government have changed. Regulation is now more costly to business than corporate taxes."

Getting control of regulation is bigger than the Regulatory Council. In typical governmental fashion, several groups deal with regulatory reform and coordination. Eventually, a consolidation is possible.

The Regulatory Analysis Review Group, headed by Charles L. Schultze, chairman of the President's Council of Economic Advisers, reviews agency estimates of costs and benefits and encourages less costly approaches. The group has looked at such high-cost proposals as EPA's ozone standards and the Transportation Department's refitting of mass transit vehicles to provide access to the handicapped.

Like the council, the review group must be persuasive. It has no authority to modify or delay a regulation.

### General oversight

The Office of Management and Budget has general oversight of all regulatory practices and is supposed to ensure that agencies comply with reform programs.

In addition, the Council on Wage and Price Stability, regulatory research units at the Commerce Department, the National Science Foundation, the General Accounting Office, and the General Services Administration, which publishes the encyclopedic *Federal Register*, are involved in regulation.

On Capitol Hill, legislators are working on bills requiring formal economic

impact evaluation of regulations, sunset proposals for automatic termination of programs, and the congressional veto—the right of Congress to veto what it feels are unwarranted agency regulations.

Sen. Lloyd Bentsen (D.-Texas) is supporting a regulatory budget that would put an annual cap on the compliance costs each agency could impose on the private sector.

Sen. Bentsen says the process for establishing an annual regulatory budget would resemble the one now used to set the fiscal budget—a proposed budget from the President and annual budget resolutions from congressional budget committees.

Figures that vary would be modified over some months, and the regulatory budget could then be coordinated with the fiscal budget.

The American people want health, safety, and environmental programs, the senator says, "but they do not want waste, and they do not want government increasing inflation through unnecessary regulations."

While regulatory reform efforts struggle for footholds, many doubt that the council and other similar groups can make a difference.

### Clear signal

Says a Washington representative of a major manufacturer: "Few regulators have any real world or business experience. They get into government and stay there. And the biggest incremental costs are coming out of Mr. Costle's EPA... that's a clear signal that the council is for show only. The council needs a tiger like Alfred E. Kahn [chairman of the Council on Wage and Price Stability] to get things done."

Says Mr. Freshman of the council: "Some people would like us to be more aggressive. But left, right, and middle think the council is a good idea with a good chance for solid achievements."

A senior official at OMB is not so optimistic: "It isn't clear yet whether regulators will reform themselves or develop strategies to defend themselves. To succeed, the council and other reform groups need to keep pressure on top agency people. Reform lends itself to the application of common sense."

And a veteran bureaucrat is almost a nonbeliever: "Are we going to accomplish any regulatory reform? I'd have to say no."

"Are we likely to have more reasonable regulations? Maybe." □



# For Small Business, the Future Is January

White House conference will  
draw 2,200 delegates to solve  
entrepreneurial problems

By Roberta Graham

**J**ANUARY in the nation's capital is usually noted for just one thing in an off-presidential inauguration year: The start of a new session of Congress.

But next year, Congress will share the spotlight with 2,200 small business people, meeting at an unprecedented White House conference to tell government officials and Congress what their problems are and what solutions are needed.

The White House Conference on Small Business was called by President Carter last year at the urging of Sen. Gaylord Nelson (D-Wis.). The conference is weighty evidence that small business is exerting a new influence in Washington. This evidence was first witnessed in congressional passage of major small business legislation last year, which was later vetoed by President Carter, and more recently in the renegotiation of the multilateral trade agreements regarding small and minority business procurement preferences.

## More powerful voice

Officially, says one high ranking White House source, the conference will address the future of small business in the economy. Unofficially, it will serve to keep the small business momentum going on Capitol Hill and in the agencies.

And whether sanctioned or not, a natural conference spin-off should be a collectively more powerful small business voice in Washington.

"I sense a mood within the small business community that has been moving from extreme frustration to motivation," says Arthur Levitt, Jr., chairman of both the American Stock Exchange and the White House confer-

ence commission. "Up until now, most small business owners have believed that no one listens to them. This is going to change.

"The conference is going to create a uniform constituency. Elected delegates are not waiting for the January meeting. They are meeting now; they are exerting influence on Washington now."

Business groups representing both large and small firms support the conference and a stronger small business voice in Washington.

## Strong network

"Small business will rise to the pinnacle of its effectiveness beginning as of January, 1980," says Louis A. Shattuck, executive vice president of the Smaller Business Association of New England, Inc. "I am sure it will be viewed as a new and well organized lobby."

Ivan Elmer, director of the Center for Small Business of the Chamber of Commerce of the United States, says small business should perpetuate the strong network that will be developed as a result of the conference. "As much success for small business issues will lie in carrying out the conference resolutions as in the staging of the conference itself," he says. "It will be up to this new grass-roots lobby to do this."

This grass-roots coalition will be made up from the 14 million small businesses that account for 96 percent of all America's business, provide 55 percent of the private sector jobs, support 100 million people, and produce 43 percent of all business output.

"Most of all," says Mr. Levitt, "small business contributes the young blood of new ideas and products to our econ-



Small business people around the country came forward at conference forums to voice their concerns about the future.

omy. In our memory, risk-oriented fledgling enterprises have created such innovations as xerography, automatic transmissions, the catalytic cracking of petroleum, the ballpoint pen, and the helicopter. Over a 20-year period, firms with fewer than 100 employees came up with a quarter of all major inventions."

Every Levitt speech drives home the



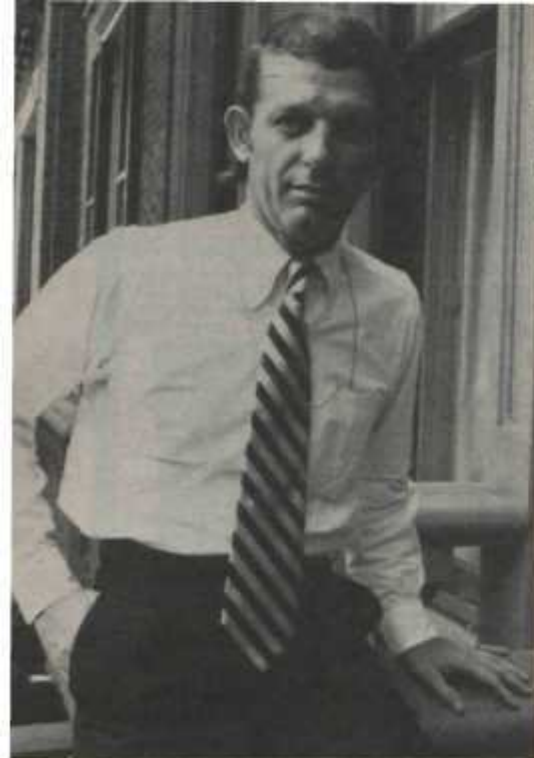


PHOTO: ROBERTA GRIFFIN

**Conference Director Michael Casey is quarterbacking the commission staff's preparation for the meeting.**

importance of small business to the economy and the importance of a successful conference.

For much of the past several years, the Amex chairman has traveled the country listening to "new chip, not blue chip" business people vent their frustrations. By far, the biggest complaint has been governmental regulation. "Get government off our backs," he quotes business people as saying. "Stop the bureaucracy."

As head of the 11 commissioners who oversee the coming White House conference, Mr. Levitt also must represent government to the small business community.

#### **Dual role**

Contemplating his dual role over a breakfast Danish at a recent regional small business conference, Mr. Levitt satirized the problem with growing governmental regulation of business.

"If a group of small business people wanted to find someone who could win the Olympic high jump competition, they'd go out and find a guy who could jump eight feet.

"If the bureaucracy had to solve that same problem for you, it would find eight guys who could jump one foot."

Aside from the Big Four plagues of governmental regulation, taxation, paperwork, and lack of capital, small business's biggest gripe is not knowing who is accountable for hiring the eight guys to jump one foot.

Unlike their own businesses where

who does what and why is well known, small business cannot point a finger at any person or agency as being responsible for regulatory burdens and increasing inflation.

Now, instead of wagging a weak finger, small entrepreneurs can use the conference format to poke at government's chest and demand to know who is accountable.

Sen. Nelson, chairman of the Senate Select Committee on Small Business, is credited with planting the idea of a small business conference in the President's mind.

#### **Heart and soul**

"The small business community," Sen. Nelson told the President, "has always been the heart and soul of the free enterprise system. The need to help the small business sector is apparent: Our tax structure gives the best breaks to big business; regulatory policies stifle innovation; and government paperwork is costing small business well over \$20 billion a year."

The conference could be used to address these problems and generate national attention for small business, he contended, and President Carter agreed.

"I don't know of any other issue that has received as much cooperation from the White House, Congress, and the agencies," says A. Vernon Weaver, administrator of the Small Business Administration. "It's inevitable that something good for small business will result."

The last time that small business was the subject of a national summit was 21 years ago when President Dwight D. Eisenhower organized a cabinet committee on small business. Headed by Arthur Burns, the committee issued two reports that led to the passage of the Small Business Investment Act and the Small Business Tax Act of 1958. Previously, a 1938 conference called by Commerce Secretary Daniel Roper included fewer than 500 participants and reportedly ended in little more than fistfights and bruised relations between the White House and small business.

#### **More action**

The January conference promises perhaps less excitement, but more conclusive action. The coordination of a conference this size is in itself a monumental task, a scenario that would do Cecil B. de Mille proud.

At a cost of \$4 million, the government has already staged 57 meetings

of small business people around the country—12 in major cities and 45 in smaller urban areas. At these meetings, problems have been discussed in general sessions and in workshops, recommendations compiled, and delegates elected or appointed by their senators, representatives, or governors.

All of the collected information has been fed back to the White House conference staff in Washington, which has disseminated appropriate portions to the heads of the eight task forces. The eight groups will establish a final agenda, based on delegate input, for the January conference.

Quarterbacking the staff effort from Washington is Michael K. Casey, former Carter campaign advance man and lawyer in the Energy Department's office of special counsel.

"Preparation for this conference has been an awesome coordination of enormous logistical demands," he says. "You have to coordinate input from senators, representatives, lobbyists, governors, the White House, federal agencies, and so forth throughout 57 meetings, keeping in mind all the time that small business must be the beneficiary."

"It may seem like an uncontrollable mishmash, but it is my job to make sure that a beautiful mosaic results from all of this."

Given the massive nature of the conference, how do 2,200 people come together to make key decisions? Which issues take precedence, and how are the groups organized?

#### **Corner suite**

It's made to look simple, but here is how one group organized to present its issues at a regional meeting and how those items will be presented at the January conference.

After learning from local advertising about the regional small business conference to be held in New York City, the New York Association of Women Business Owners compiled a list of key problems facing women in business. They reserved a suite of rooms at the Biltmore Hotel, where the conference was to be held.

By 9 a.m. on the day of the conference, the corner suite on the ninth floor was packed with people concerned with female entrepreneurial problems and looking for guidance on how to become a delegate to the January conference.

The problems were discussed: Capital formation, procurement, need for a data base, and educational assistance.



These would be stressed not only in the workshop on women in business, but also in each workshop relevant to the problem. In addition, the women were urged to vote in blocs to support women seeking delegate positions.

By the end of the day, 24 of the 79 delegates elected were women, and Joanne McCrea, chairwoman of the women in business task force, had a list of issues that concern female entrepreneurs.

Lists like those compiled in New York City have resulted from every regional conference and are fed back through the Washington staff to the appropriate conference task force.

All eight task forces—on capital formation, economic policy development in government programs, federal procurement, governmental regulation and paperwork with a subcommittee on energy, inflation, international trade, women in business, and minority business development—go through the same information gathering pro-

cess, sift through the data, and identify the key small business problems in their areas.

For the women in business task force, Ms. McCrea says that procurement, financing, taxation, and education have been identified as areas where changes are most needed.

### Special interest groups

The caucusing among groups of women added to the democratic flavor of the meetings, Ms. McCrea says. With the exception of the Boston regional conference, the first one held, bloc voting and delegate caucusing took place at every regional and most local meetings.

"I really have no concern that the special interest caucusing will stand in the way of the overall good of the conference," says Mr. Casey. "Anytime you have a democratic process, you have like-minded people voting in blocs. You can't avoid that."

"Our hope is that individuals will be-

come more identified with the issues as a whole and less identified with the special interest issues. If we provide a strong conference format, that's exactly what should happen."

Included in the special interest composite are those small business people—from industrial innovators to mom and pop store owners—who fear that their problems are so specialized that they will not be addressed at all.

"Of any conference I've seen to date," says one administration official, "this one has taken the least pains to focus on this difference in constituency."

Mr. Levitt responds to this criticism: "The definition of small business will become generalized at the conference, and I support that. I think it is a function of this conference to cut along general lines with the broadest applications. We've got to start somewhere, and it's got to be general."

At his Washington office, Mr. Casey quickly interjects that all problems pinpointed by the task force as key is-

## Conference Delegates Tell Congress: No Thanks

With nearly all of the foundation laid for staging the White House Small Business Conference in January, there remains one basic element yet unsettled: Who pays the bill for the conference delegates at the end of their four-day stay in Washington?

If the delegates, the administration, and the Small Business Administration had their way, the delegates would pick up their own tabs. But like a zealous host, Congress is insisting that it take care of the majority of expenses.

Attached to a major small business bill dealing with changes to the small business loan program, disaster assistance, and the small business development center program, is a provision that would allow the SBA to reimburse conference delegates up to \$132 for conference-related expenses.

At the onset of the regional and local meetings, delegates were told not to expect government dollars—there is some money set aside in the conference budget for hardship cases—and many small business people opted not to run for delegate slots because they could not absorb the expense of a trip to Washington.

But at the urging of Rep. Neal Smith (D.-Iowa), chairman of the



Arthur Levitt, Jr., chairman of the White House Conference, opposes a proposal to reimburse delegates.

House Small Business Committee, the reimbursement clause was adopted by the House-Senate conference committee.

In pushing the measure, Rep. Smith bucked opposition from the White House, Arthur Levitt, Jr., chairman of the conference commission, the commission staff, SBA, and even from Sen. Gaylord Nelson (D.-Wis.). The opponents stated that small business people attending the con-

ference didn't want government handouts.

"They [the delegates] knew from the beginning they would have to pay their own way, and they are willing to do that," says one Washington official.

"Most are incensed and embarrassed that the government insists on paying part of the bill, and it's really not fair to the entrepreneurs who didn't seek election because they couldn't afford the trip."

Thomas G. Powers, general counsel for the House Small Business Committee, says the committee and Rep. Smith are not out to embarrass or incense anyone. "We feel simply that we're being consistent with other White House conferences that pay the delegates' way. Why should small business be any different?"

"The money will be there for those who want it. If the delegates don't want it, then they simply won't fill out the reimbursement forms."

If all delegates ask for compensation, the government's final bill could run as high as \$1.2 million. That is not likely to happen, however. Most delegates think it would be ironic to accept expenses from the government while urging it to cut spending.





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sues will receive the most attention, and that all delegates will have equal input. But, he adds, the format will be flexible enough to cover specific concerns.

The delegate liaison program, which involves business executives on loan, is designed to ensure such input and flexibility.

Between the last regional meeting in August and the January conference, the delegates will have a dress rehearsal. At delegate meetings in each region, task force options will be presented to delegates for revision and amendment.

During the interim, borrowed business executives will act as liaison between the delegates and the task forces.

At those regional delegate meetings, Mr. Casey says, delegates should express their concerns. If they feel, for example, that an issue such as innovation or patent rights is being overlooked, they should speak up.

### Conference intent

Another concern expressed in and out of the administration is not over conference format, but over conference intent. The meeting kicks off in January, 1980, shortly before the first presidential primary. Some small business interests believe the White House may politicize the intent of the conference.

Admittedly, President Carter will get credit for calling the conference and will be highly visible during the four-day meeting, but top aides deny that the President will use the conference to gain political momentum.

Mr. Levitt says he wouldn't be involved with the conference if he thought it were being staged for political purposes.

S. Stephen Selig III, the President's business adviser, says because of President Carter's commitment to small business, the conference is his highest priority. "This thing is absolutely non-political. We don't influence opinion, delegate election, or agenda.

"In fact," says Mr. Selig, "the date of the conference is unfortunate, and I wish the appearance of political opportunity were not there. But to hold the conference any sooner would have meant cutting back on delegate input and organization."

### Growing recession

The administration cannot afford to have an unsuccessful conference. Failure would be politically detrimental, but, more importantly, with the growing recession and mounting govern-

ment involvement in business activity, the administration needs small business support to bolster the economy.

In a recent report issued by the House Small Business subcommittee on antitrust, consumers, and employment, small American companies are labeled an endangered species. The tenacity of this trend, the report shows, is demonstrated by the fact that in 1935 one percent of all U.S. corporations controlled 52 percent of all manufacturing assets, and four percent controlled 84 percent of net profits.

### Major obstacle

By 1974, those statistics had shifted dramatically; 0.09 percent controlled 64 percent of all manufacturing assets, and two percent controlled 89 percent of net profits.

"It is clear," the report says, "that economic concentration remains a major obstacle to the creation of an economic climate in which small business can survive. Unless direct, concerted action is taken now, small business will continue to decline.

"A decision must be made: Do the American people wish to preserve the foundation upon which our nation was built, or do they wish to acquiesce to the gradual spread of a system alien to the American spirit, a system of economic oligarchy? The choice is in the hands of Congress, the executive branch, and the American people."

In January, 1980, all of those forces will be coming together to decide on a long-range agenda for small business survival in the economy. What should result includes legislative priorities and measures that can be implemented by Congress, President Carter, or the agencies, but, most importantly, a renewed belief in entrepreneurship.

### A chance worth taking

"I don't know if we'll be successful," says Mr. Levitt. "I think we have a 50-50 chance. But I believe that chance is worth taking."

"The entire history of small business," says Mr. Casey, "consists of good ideas that are acted on. In periods of stress, which is what we have now, Americans are at their best. When their backs are against the wall, that is when they give it their best shot.

"It's like the old Johnny Mercer tune," he adds. "You've got to accentuate the positive and eliminate the negative."



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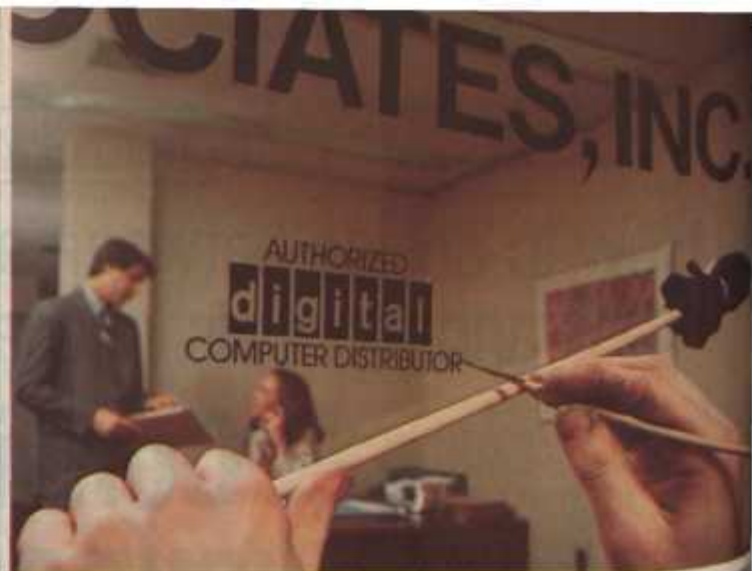
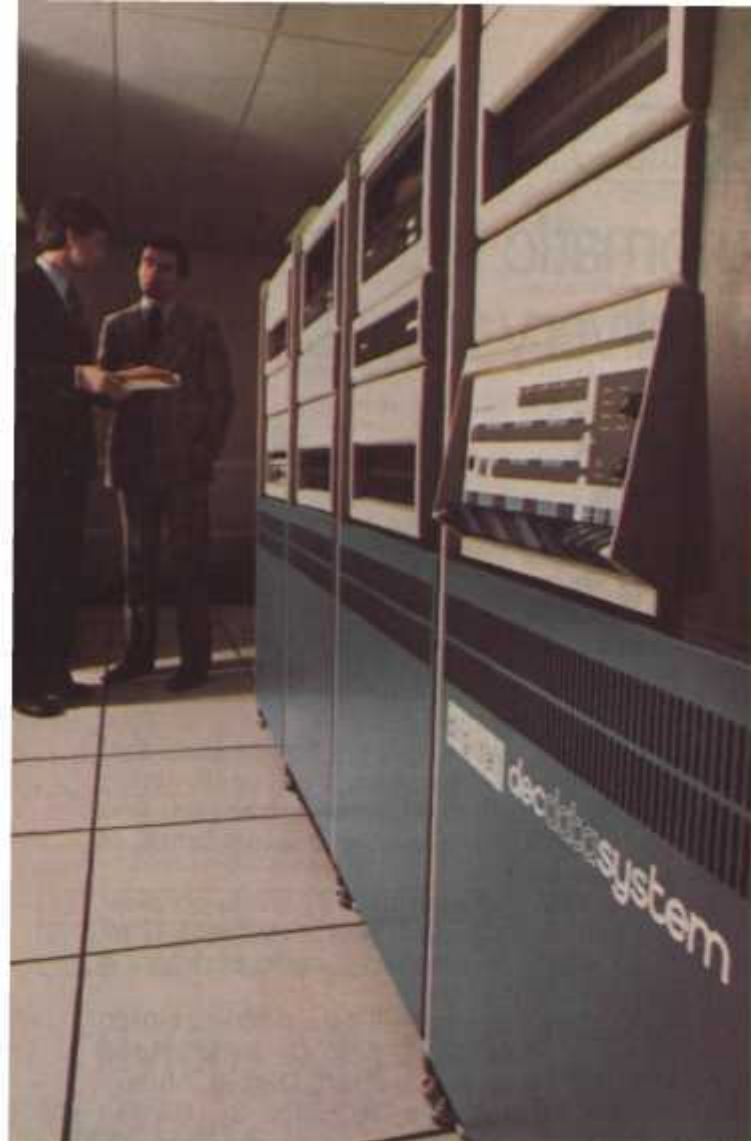


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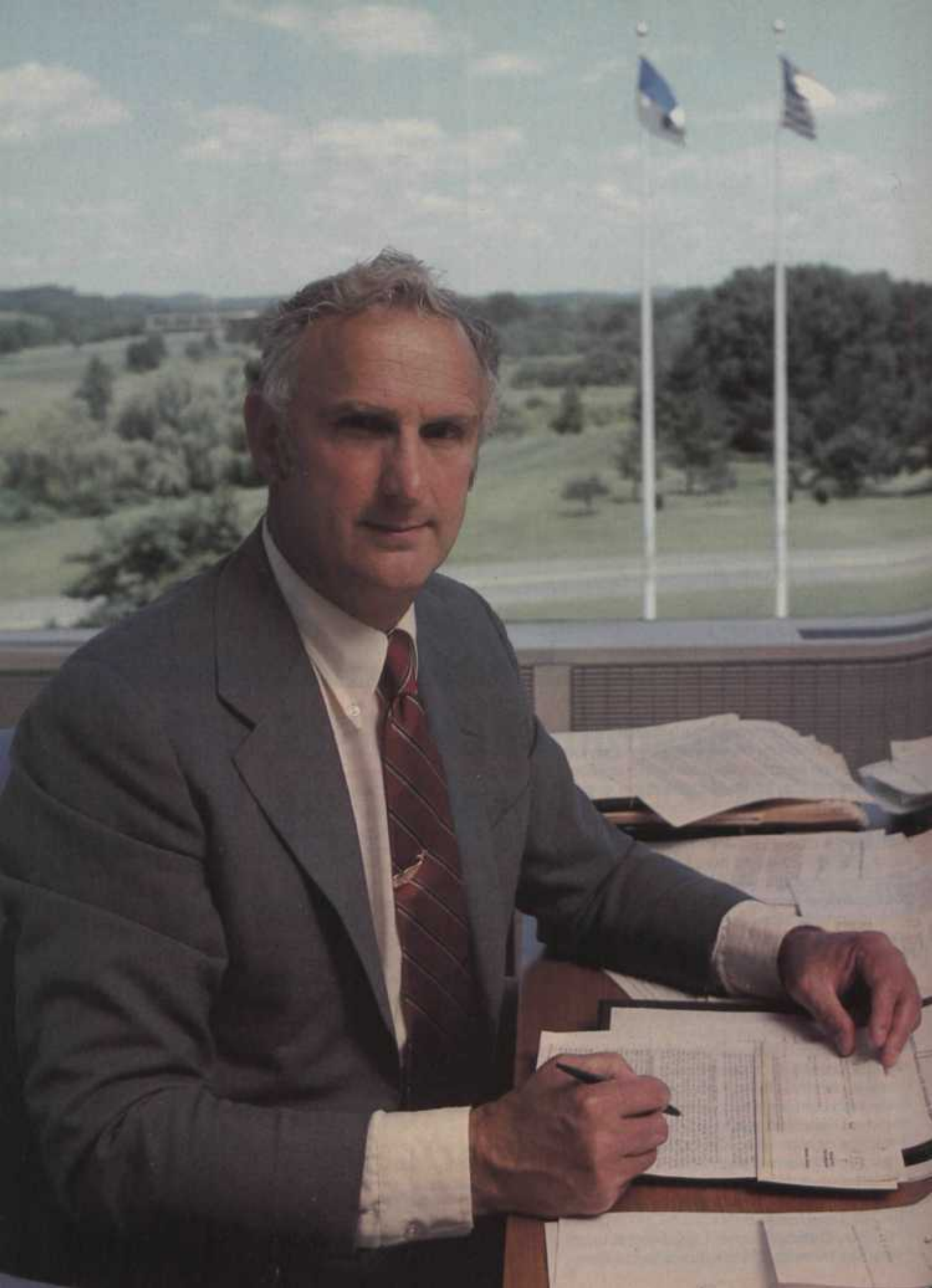
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# Robert Kilpatrick Ensures That CG Is Out in Front

By Wilbur Martin

HE was a naval reserve officer just released from service in the Korean war. He was approaching 30: It was time to take stock and decide what he wanted to do in the future.

When he had returned from service in World War II, the choice had been easier. He had gone back to the University of Richmond and starred on the baseball team. He had turned down a contract to play for the New York Yankees to become a coach and teacher at a prep school in Virginia.

Then came the recall to active duty in Korea.

After the war, Robert D. Kilpatrick, underwater demolition expert, husband, and father of three, had to make some decisions.

"I had it in the back of my mind that I would get a job and go to law school at night. I answered a lot of ads. One of them was out of the *Navy Times*. The ad said Connecticut General Life Insurance Co. was looking for management trainees.

"I didn't know anything about insurance. But I was asked to come up for an interview. I went and I got hired. You know, I found out later that of all the people who ever answered that ad only two got jobs."

## \$14 billion in assets

If Mr. Kilpatrick didn't know anything about insurance when he answered the ad in 1954, he learned a lot over the years. In 1976, he became president and chief executive officer of a company that now has more than \$14 billion in assets.

"I dropped the idea of going to law school pretty soon after going to work for the company, and I've never been sorry," says the former all-state basketball player from Monroe, La.

Connecticut General, or CG for

short, is one of the oldest and largest companies in a fiercely competitive industry—1,800 firms write life insurance and 3,000 are in the property casualty business.

Insurance, once the butt of old-time vaudeville jokes about fine print, is today a virtual necessity to millions of people. "An insurance company is made up of people serving the needs of the people," says the soft-spoken Mr. Kilpatrick. "It's strictly a people business."

"We believe in a policy of serve first and sell later. We try to establish a long-term relationship with our clients."

## Pressure from outside

But times have changed for this trillion-dollar industry, more so than for many others. External forces such as Congress and regulatory agencies—both federal and state—have great impact on the insurance business.

"If there were ever a time when companies could sit back and react to events, that time is long past," he says. "We have to understand what's likely to happen and be prepared in advance to influence events."

One of those events is the emergence of the national health insurance issue. Mr. Kilpatrick believes that Congress, before embarking on any multibillion-dollar national program, should give private enterprise the opportunity to provide for the needs of workers and their families.

"The private sector can provide catastrophic health insurance without too much expansion of what company health plans are now doing," he told a congressional committee.

Not everyone within the industry will agree with his view. "When you have as much competition as this in-

dustry has," he says with a laugh, "it's hard to get a unanimous opinion on anything."

That is undoubtedly true of two big new concepts in employee benefits. "Somewhere down the road, I believe you will see automobile and homeowners' insurance in group plans like hospitalization, which you now have in most companies."

"The time isn't now, but it is coming."

Looking ahead for bright ideas and seeing around corners are key functions for a chief executive, Mr. Kilpatrick says. "Some ideas don't work out," he admits. "Then you have to be prepared to drop out quickly. You can't be rigid and expect people to make something work that won't."

Finding out what his sales force really thinks will work is one of the reasons Connecticut General's president spends so much time traveling.

## Committed to excellence

The salespeople have to be backed up by "the very best management team you can assemble," he says. "It's easy to get fired here if you are not committed to excellence."

CG headquarters are in Bloomfield, Conn., a rural setting just outside Hartford. In the summer, scores of employees cultivate garden plots near the firm's buildings.

Mr. Kilpatrick and his wife, Faye, live in a rural setting, too, at Top O'World, a horse farm they operate in Litchfield, Conn.

"After all these years with horses," he says, "I developed an allergy. I wasn't able to ride for a while. But the allergy is being treated, and I can ride some now. Faye and I love horses. I have been around them all my life except for my Navy travels."





Robert D. Kilpatrick, the president of Connecticut General Life Insurance Co., enjoys musical interludes by his wife, Faye, who is an accomplished organist.

Mr. Kilpatrick, 55, grew up outside of Monroe, and went to the University of Richmond in the Navy's V-12 program. He served as an officer in World War II, then went back to college where he and a teammate, Lew Burdette, were both offered professional baseball contracts.

He declined, but Mr. Burdette went on to become a star pitcher for the Milwaukee Braves.

Mr. Kilpatrick leads his company's team in the big leagues of insurance.

"I want us to be out front in everything we do. There are no giants that dominate this industry. Because there are so many companies, the very biggest has less than ten percent of the market. But you can be out in front in your ideas and in the way you perform. And that we intend to do."

In an interview with *NATION'S BUSINESS*, Mr. Kilpatrick explained the workings of the huge insurance industry and his company's role in it.

**You say that you want your company to be more active in external affairs. What do you mean?**

I believe this company has the potential to be the best insurance firm in serving its customers, in providing a good investment for shareholders, and in offering our people a place to work and thrive.

But I realized very soon after I became president that external events affected us tremendously—events in Washington, in state government, in local government, and in society generally.

**What is the most critical external issue your company faces?**

As a company, probably the national health insurance issue. But the most critical issue that all businesses and the country face is inflation.

Specifically, the shape and direction that health insurance takes are critical to us because we are a large health

insurance writer. We intend to contribute to the future of the nation's health system in a way that will benefit all citizens and at the same time preserve a significant role for private industry.

**Could the private sector provide all workers and their dependents with catastrophic health insurance without adding too much cost?**

Yes. I put an additional cost figure of \$2.5 billion on doing this. That may sound like a lot of money, but it really isn't when you consider what is already being spent on health insurance benefits. It amounts to about an additional two tenths of one percent of payroll costs when you get right down to it.

This first step in meeting health care needs is affordable now. And I think the country ought to have that first step before it starts any all-embracing, expensive program that we don't know will work.

**You propose to build on existing health coverage for working people whose companies have hospitalization plans?**

Yes.

**What about small business firms that do not have these plans?**

The government would have to offer some tax incentives for these firms to start plans if all of the working population is to be covered.

**Does the health insurance industry support this proposal?**

Well, I testified on behalf of the Health Insurance Association of America, which represents 300 companies that write about two thirds of the policies in this area. I won't say there is 100 percent support, but I think most companies will support the proposal when they understand it.

The industry is united in its conceptual approach, but individuals argue a lot about specific details of reaching the goal—financial access to the medical delivery system for all Americans regardless of economic circumstances.

**Under your proposal, what happens to the person who is laid off or does not have a job?**

For the person who is laid off, this proposal would continue health care benefits for three or six months. Studies have shown that most people return to work or find other jobs within that time.

For the hard-core unemployed, the



poor, and the near-poor, the federal government should be financially responsible. Private enterprise can help administer this federal assistance. The point is that the working population does not need federal financing for health insurance.

#### Is there an advantage to being a public stock insurance company?

As you know, there are many mutual insurance companies, and that is a good system for them. For us, being a public stock company means facing pressure from stockholders to provide an adequate return on their money. That pressure makes you perform at your best in the competitive environment of the industry.

#### Are you a competitive person?

Yes, very much so. I personally strive for excellence, and I believe people are always capable of using their talents to reach higher goals each year. When they do, they expect to be rewarded, and we do reward them. I think really good people thrive in our system.

#### Does this striving for excellence cre-

#### ate a pressure atmosphere for your executives?

No, not in the sense that you are talking about. Of course, there is pressure for people to use their talents in a creative way to accomplish goals that satisfy them as well as the corporation.

At CG, we try to reward good people and don't hesitate to ask others to make their careers elsewhere.

#### What kind of rewards do your executives expect?

Compensation, of course. We have a regular process here so that no one gets lost in a crack. But above just compensation, I believe people expect recognition and acknowledgment when they do a good job. I think we have a good program to make sure that this recognition is given.

#### Do you ever scrap any of your bright ideas?

Oh, yes. I spend a lot of time touring our large field operations to see if my bright ideas are working. Some things we thought were going to be great turned out to be anything but.

#### Most of your 14,000 or so employees

#### are agents or salespeople. How is your sales force constituted?

We have a whole variety of sales forces in our various operating divisions. Our career agents are an important source of our corporate strength. These people deal primarily in an affluent market.

We have a sophisticated process for helping an individual coordinate his estate and plan his finances. Our Aetna people are especially talented in marketing their services.

We don't do any door-to-door knocking to sell our products. That hasn't been our bag for a long time.

#### What is the brokerage division?

It is a small group of highly trained professionals who, in effect, become the life insurance department for independent agents in other areas of insurance.

The concept has worked quite well for us.

#### Two innovations in insurance are much broader health insurance plans and legal insurance. What's next?

My belief is that sometime in the

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The Kilpatricks raise horses on their working farm in the rolling Connecticut countryside. David and Tracy share the chores with their parents.

1980s automobile and homeowners insurance will be sold on a group insurance basis to employees.

**Have you made any initial attempts to provide this insurance?**

We tried some experiments, but determined the market was not ready. I think the demand will come, but it is not here yet. When it does, these experiments will prove valuable. But this is one of those bright ideas I mentioned that didn't pan out at the moment.

**Your company is credited with writing the first policy for atomic energy workers. Has the controversy over nuclear plants changed your views?**

I'd like to answer in two ways. First, as a company we invest in utilities that build nuclear power plants. I frankly don't think this country can maintain its economic progress without continuing to develop nuclear power plants. And we certainly have no information that would change our policy of looking on investments in utilities as solid.

On the insurance side, employees of nuclear power plants have been one of

our safer risks. There is nothing I know of that indicates we should change our mind on this.

**How do you answer criticisms of the insurance industry, such as a policy that doesn't cover what the insured thought it did or firms that use technicalities to avoid payment?**

Well, some criticisms are valid. By and large, the states have done a good job of regulating companies, but the industry could develop some better self-policing methods. Every policy complaint comes to me or to one of the executives reporting directly to me. We pay millions of claims each year. The percentage of complaints we get is very small. I don't mean that we never do anything stupid. This generally results from some untrained person following the rule book too religiously.

Insurance is really a contractual thing; the details are spelled out by regulation. We really want to be fair to the client, because he or she pays all our bills.

**The Federal Trade Commission has sharply criticized the whole industry, hasn't it?**

Yes, it has. But I don't believe that is any reason to repeal the law that allows the individual states to regulate our industry. I don't believe federal regulation would be better than state regulation.

We have to figure out how to counter the FTC criticism, which is, for the most part, unfair and incorrect.

There are those who say the insurance industry is always fighting itself. It looks that way at times. The reason is the competitive nature of the business—nearly 5,000 companies offer insurance. And market share is spread broadly—even the largest company has less than ten percent of the market.

**Your company invested heavily in the development of Columbia, Md., a new town. Do you think the new town concept is still viable?**

I'm very proud we are involved in Columbia. We had two things in mind. First, we thought it would be financially viable. Second, it was a sociological experiment, the development of a city by plan instead of sprawl. The land would have been developed in some way at any rate, and we wanted to be part of it.

Eighteen years later, Columbia is a great success as a sociological experiment. But it has not been the financially successful venture we thought it would be.

In the long term, Columbia will be financially viable. But in the context of today, I don't think we would make the same decision my predecessor made. I'm glad we did it, but I don't think we would do it again. The new town concept developed by private money takes such enormous sums over such a long time that you have to back away. On the other hand, we and our partners have developed a beautiful city for people to live and work in.

**Are you looking at any other major types of investment?**

Well, not on the scale of Columbia, but we are looking at hospitals and airlines as investment opportunities. The airlines are going to need enormous amounts of capital in order to obtain the next generation of jets. We know something about medical services, and hospitals are often attentive to our views. We are also considering energy development.

**What is the key factor you will have to deal with in the immediate future?**

Inflation is a very big threat to both



investment and insurance. Claim costs in health insurance have been escalating rapidly for a number of years. We have to keep our prices in line with inflationary increases in claims.

Inflation to me is a far bigger problem for the country than, say, energy. Energy is a part of the inflation problem, but only a part.

**Individuals are a very important part of the insurance market. Are there specialized markets within this area?**

There is definitely a trend toward women becoming substantial buyers of insurance. Another trend, which I heartily applaud, is that wives are more involved in financial decisions affecting the family. We have adapted our marketing processes to this trend.

**Have you tailored any type of policy strictly for women?**

No, not strictly for women. Women as wage earners are becoming more and more a factor than they were a few years ago, and this has changed some of our marketing practices.

**You had a down period in your career with CG when you considered leaving. What caused this?**

Oh, there wasn't anything all that dramatic about it. I just didn't think my progress here was all it should be, and I had a very attractive offer on the West Coast. I had had other offers, but this was the only one I considered seriously.

I think what made me stay was a genuine concern by some people then in senior management of the company. That made me feel good, and so I didn't leave. Maybe it could be argued I really didn't want to move.

**Having had your own down period, you must recognize that some of your executives may have this same feeling.**

Yes, and I hope I am as supportive to those people as management was to me. I hope all managers in this company are sensitive, straightforward, and factual with people.

The real strength of this company is the people in it. The real duty of a chief executive officer is to know how to motivate people to function as a team, to provide an atmosphere where everyone uses his or her talents the best he or she can. That's exciting, and I think we have excitement at CG. □



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## Should the Senate Approve SALT II?

**W**HEN PRESIDENT CARTER and Soviet President Leonid Brezhnev met in Vienna and signed the SALT II agreement, Mr. Carter said the pact "allows us to continue on a course toward a safer world," a course "we cannot interrupt or endanger."

But on the eve of the signing, battle lines were forming over Senate consideration of the controversial treaty. Sen. Henry Jackson (D-Wash.), a leading critic, compared the treaty to the appeasement policies of British and French leaders during the 1938 Munich crisis that led to a German takeover of Czechoslovakia.

The Carter administration faces a tough sales job on Capitol Hill. It must convince at least 67 senators that the nuclear arms treaty protects U.S. interests, does not give an edge to the Soviets, and ensures that the Kremlin will comply with the terms.

The fate of the treaty is uncertain. Treaty opponents, liberals and conservatives alike, cut across party lines.

Foes say the agreement does not limit nuclear weapons, gives the Soviets numerical and firepower advantages in nuclear arms, and provides inadequate verification of Soviet compliance. The United States will have to increase spending on weapons such as the MX missile to counter the Soviets' present capability of destroying the U.S. land-based missile system, they argue.

Supporters say that SALT II must be ratified because of the overriding need to reduce the chances of a devastating nuclear war. The idea of nuclear superiority is no longer valid, they say, and the agreement recognizes the "essential equivalence" of the U.S. and Soviet nuclear arsenals.

Resistance to the treaty hardened

following a stern warning by Soviet Foreign Minister Andrei Gromyko, who cautioned that any Senate amendments to SALT II could kill the agreement. Senate Minority Leader Howard Baker (R-Tenn.), who could cast a pivotal vote in the SALT II debate, responded that "the American republic will survive and prosper without that advice from Russia."

The Senate will be asking tough questions about the readiness of the U.S. nuclear arsenal, Soviet compliance with SALT I, the ability of the United States to monitor Soviet weapons development, and the Kremlin's intentions in Africa, the Middle East, and other trouble spots. The debate may spill over into presidential politics as the 1980 election nears.

What do you think? Should the Senate approve the new strategic arms agreement with the Soviet Union? ☐

PLEASE CLIP THIS FORM FOR YOUR REPLY

Wilbur Martin, Editor  
Nation's Business  
1615 H Street N. W.  
Washington, D. C. 20062

Should the Senate approve SALT II?

☐ Yes ☐ No

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# Communities on the Pentagon's Hit List

When the military moves out,  
business can move in and make a town prosper

**I**N WHAT HAS BECOME an annual rite of spring, the Defense Department each year proposes closings or cutbacks of military bases. The casualty list invariably sends shock waves through communities that have prospered from defense payrolls.

This year, the Pentagon has targeted 100 installations in 30 states to be pruned or shut down. Government budget analysts calculate an annual saving of \$337 million. The state of Florida faces the loss of an estimated 5,365 jobs. Ohio will lose 5,362 jobs, and Virginia, 4,512.

The usual reaction of a community to making the Pentagon's hit list is outrage, followed by the furious efforts of politicians and citizens to save the base.

## Tomorrow's winners

However, history shows that today's losers can become tomorrow's winners. While recovery will not come overnight, or even over months, many base closings have led to the creation of a tax-producing industrial park along with hospitals, recreational facilities, housing developments, schools, and shopping centers.

A coordinated community effort can turn an economic disaster into a platform for solid growth.

A Pentagon study of 77 bases closed between 1961 and 1977 shows that 72 have been converted to private or public use for industry, education, aviation, commerce, and recreation.

But initially, federal foreclosure is frightening. For example, the state of Rhode Island had, in effect, become a Navy town decades ago. In 1973, the Navy announced that it was pulling its Atlantic destroyer fleet, air base, and



Bell Helicopter division of Textron, Inc., was one of the first tenants at the former Amarillo Air Force Base. The firm employs 1,000 at the Texas facility.

Seabee center out of the nation's smallest state. The news that Rhode Island would suffer half the defense base cuts ordered that year was unexpected—then-Gov. Philip Noel heard it on the radio.

After the bases at Newport and Quonset Point were closed, statewide unemployment zoomed from six to 18.2 percent and topped 30 percent in the affected areas. Hundreds of rental houses and apartments became vacant, and national chain retailers canceled plans for new Rhode Island outlets. Shopping center developers were left with large empty parking lots.

A spokesman for Sen. Claiborne Pell (D-R.I.) recalls: "The sword also fell on the Boston Navy Yard. But you can imagine how much greater the impact was here. Many people thought we couldn't absorb the blow."

Gov. Noel responded with an aggressive economic development program, which included an \$80 million mortgage guarantee program for new factories and equipment, tax-exempt industrial revenue bonds, tax credits and write-offs for research and development, elimination of property and sales taxes for factory equipment, and a state-funded job training school.

## Rallying 'round

The state's most visible effort was to convert former naval facilities into factory centers. The General Dynamics Corp. opened a submarine plant at Quonset Point. And many oil companies and consortia have chosen Rhode Island as a tentative staging area for offshore development on the Atlantic continental shelf.

Sen. John H. Chafee (R-R.I.), a former Navy Secretary, told NATION'S



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**BUSINESS:** "The departure of the floating Navy rallied the Rhode Island business community around a common theme: What's done is done. Now let's grow from here."

"And that's just what the state is doing, growing in directions it had never considered before. I am particularly excited about the job potential in offshore oil and gas development. That could mean jobs for 3,000 Rhode Islanders."

### Waterfront complex

The period between virtual death and vigorous rebirth was much longer for the area around the Brooklyn Navy Yard, which was shut down in 1960. Coastal Dry Dock & Repair Corp. moved in during 1972 and rehabilitated about 60 percent of the waterfront complex, much of which had deteriorated during eight years of nonuse.

Charles J. O'Donnell, Coastal's vice president, says: "The navy yard complements the industrial demands of the area, and the site was perfectly suited for our type of work."

"The value of any military to civilian transfer depends on what the federal price tag is and whether there is municipal development. The Brooklyn Navy Yard was sold to New York City for \$25 million. That was a representative value because a great deal of outmoded stuff came with it."

"There is no way that private reuse could match the number of jobs that federal money provided during World War II when the navy yard employed about 25,000. But we've come in with 30 private sector employers to provide about 5,000 jobs. Given the city's utilities, taxes, and labor, we think what we've done at the Brooklyn Navy Yard is pretty significant."

### Industrial community

When the Decatur Army Signal Depot closed, that central Illinois community lost more than 1,300 civilian jobs. Government and business got together and persuaded the Firestone Tire & Rubber Co. to locate at the former military installation.

Decatur City Manager Leslie T. Allen says: "We've always been an industrial community with a good supply of trained workers. When the army depot closed 15 years ago, some people screamed that we were really going to suffer, but the negative economic impact was short-lived because of Firestone."

"The company's coming also had a ripple effect. Other firms were encour-

aged to move here because of Firestone's successful manufacturing operation. Businesses like to locate where others are doing well. We're more than holding our own now."

"Looking back, the base closing was a plus."

### Local firms

In 1973, Laredo, Texas, was informed that the air force base, a massive economic presence since 1942, would be closed. The base then employed 2,250 military and 500 civilian personnel. The annual aggregate payroll was about \$28 million, and local firms had been selling the base almost \$2 million worth of goods a year.

Opportunity Laredo, a 25-member citizens committee, was quickly formed to guide the base's conversion to private sector use. The committee worked with federal agencies and the Texas Industrial Commission.

The city acquired the airfield and related properties in 1975 as a municipal airport. Soon a private developer purchased 257 base housing units for \$3.9 million. They are almost fully occupied now.

### Military personnel

More than 20 manufacturing companies have come to the base area, and civilian jobs now exceed the number that existed before the closing. About 85 percent of the almost 2,000 acres made available by the federal government are now being used. Laredo Junior College and Texas Agricultural and Industrial College have established campuses, and 120 acres have been set aside for recreation.

Twelve years ago when Walker Air Force Base at Roswell, N. Mex., was closed, 379 civilian jobs were lost and 4,900 military personnel were transferred. Roswell's Chamber of Commerce led the drive to turn the base into the Roswell Industrial Air Center. Firms such as Greyhound Corporation's bus manufacturing subsidiary, Levi Strauss & Co., and Longhorn Manufacturing Co., Inc., moved to the town where a young girl named Nancy Lopez was learning to hit a golf ball.

Greyhound had been seeking facilities to house its bus manufacturing operations. The base's cavernous hangars built for B-36s had an elaborate overhead crane system, flooring that could handle heavy loads, and 300,000 square feet of office space.

Greyhound made its first inquiries in March, 1974, began shakedown production in the fall, and rolled buses off



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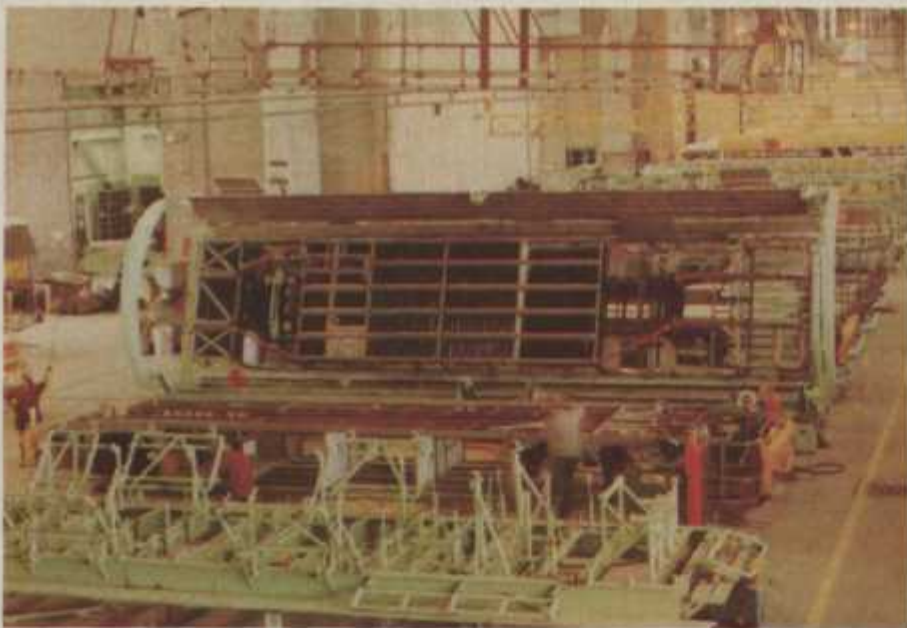


# Burroughs





While base closings usually affect only a single community, the massive cutbacks in naval installations in Rhode Island hit the entire state. Now the Newport area is busy supporting offshore oil and gas exploration activities.



The Greyhound Corp. found a cavernous place to manufacture buses in a hangar built for B-36 bombers at a former air base near Roswell, N. Mex. Now there are three times as many jobs on the base as there were before the closing.

the assembly line in March, 1975. Today, there are about three times as many civilian jobs on the former air base as there were before the closing.

Jim N. Berry, executive vice president of the Roswell chamber, recalls the early transition years: "As a result of the closing, we were stuck with 8,000 empty homes in town. A manufacturer's representative advised us to attract retirees to buy the existing homes and put their savings in our financial institutions. This idea resulted in a tremendous growth in resources and deposits."

Donaldson Center, an industrial,

educational, recreational, and commercial complex on the site of the former Donaldson Air Force Base near Greenville, S. C., is another example of private enterprise and public servants working together.

When Donaldson's closing was announced in 1962, local officials, the South Carolina congressional delegation, which then included Rep. Mendel Rivers, chairman of the House Armed Services Committee, and business representatives worked with federal officials to create a business and industrial park.

In 1964, Donaldson Center was re-

zoned. In less than four months, the initial city-county investment of \$1.6 million had been repaid with the proceeds from the leasing and sales of base property. Over the next decade, Greenville County's retail sales grew from \$250.6 million to \$556.4 million. The county tax base grew from \$8.6 million to \$33.2 million in the same period. Local officials attribute 5,600 new jobs to the economic adjustment, 3,200 on the former base and 2,400 off it.

#### Ten times more jobs

Current civilian jobs are ten times the number lost when the base closed. Present annual rental income nearly equals the cost of the property.

Industrial firms attracted to Donaldson included Morton Norwich Pharmaceutical Co., Union Carbide Corp., 3M Co., F. W. Woolworth & Co., and Michelin Tire Corp.

William J. Alton, one of Union Carbide's Donaldson plant managers, says: "We're very pleased with the way the Greenville city and county governments have worked with the private sector in operating this center. There wasn't much industrial development in this area, and the base provided us with necessities like water and sewers from the start. That factor certainly attracted us."

Mr. Alton points out that there were no labor problems during the transition "because this isn't a unionized area. The chamber of commerce is very strong here, with good leadership. And South Carolina instituted an on-site training program for new employees, for which the state pays."

#### Sophisticated assistance

By law, the Defense Department must assist communities in the transition that follows base closings. Over the years, this assistance has become more sophisticated.

In a manual on civilian reuse of former military bases, the President's Economic Adjustment Committee lists four suggestions:

- Utilize the military phasedown period to secure interim-use tenants whose operations are consistent with long-term plans. Once the community secures title to the facilities, these tenants can acquire the buildings outright or lease them.

- Postpone all but essential capital improvements during the early years of operation.

- Identify improvements eligible for federal grants or finance the improvements with revenue bonds, using the



rental revenues from the civilian tenants for debt service on the bonds.

- Salvage unneeded, obsolescent structures with the net proceeds used to finance capital improvements.

A central figure in the base transition assistance program is William J. Sheehan, director of the Defense Department's Office of Economic Adjustment.

Mr. Sheehan says: "When you get out of Washington and across the country, as I must do continually, you get a real feel for just what the local people, with the private sector as the main dynamo, can do."

"The cooperation and leadership of the chambers of commerce across the country have been indispensable. The mayors and the city councils play a vital role, but the private sector knows

real estate and business potential and can successfully market these properties from the first.

"These base areas represent instant space with a minimum of front-end costs. Water, electricity, sewers, and roads are in. To go outside a city today and create a 1,000-acre industrial park from scratch would run \$10,000 to \$12,000 an acre. That's before you merchandise the property.

"But a major problem remains," says Mr. Sheehan. "The federal government machinery for moving these properties into private hands has been cumbersome. One of our specific projects this year is to speed up the transition process through increased cooperation between the General Services Administration and the Defense Department."

"We are particularly concerned about cutting red tape in handling environmental conflicts. These often arise in the transition from military to civilian use, and we must work harder to reach agreements before the contending sides become polarized."

Despite the many economic success stories, base closings are always traumatic. There are the enormous physical problems of displacement, relocation, and retraining as well as the psychological upheavals of change.

And politicians are particularly vulnerable to the affected community's displeasure. As a key Senate Armed Services committee staffer said wryly: "Every lawmaker on Capitol Hill is for saving money by closing obsolete military posts . . . as long as they're not in his state or district." □



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## Business Life-Style

*The 1937 Packard club sedan, in its day one of America's finest luxury cars, has become more elegant over the years.*

*The famous Harrah's Automobile Collection in Sparks, Nev., restored a 1907 Thomas touring car to factory condition.*

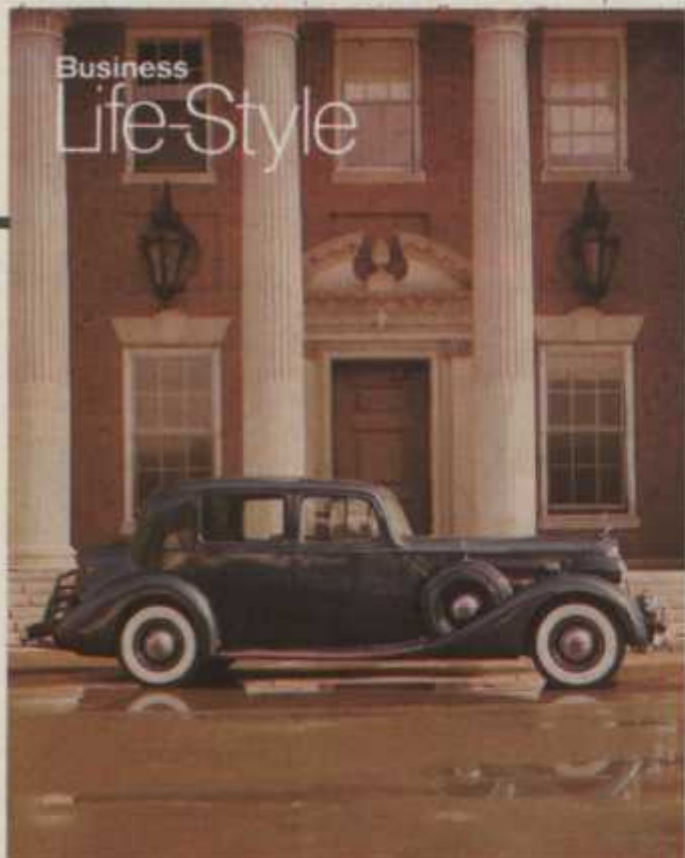


PHOTO: TOM BURRIDGE—PHOTO RESEARCHERS, INC.



PHOTO: PABLO KOCH—PHOTO RESEARCHERS, INC.



PHOTO: JIM GARRISON

*This purple Model A is the pride and passion of collector Loreene French, a businesswoman in San Rafael, Calif.*

*To own just one real antique is quite an investment, but now-retired Atlanta banker Mills Lane once had this fleet.*



SONOMA

ANTIQUE AUTOMOBILES





## ANTIQUE CARS

# Love Makes The Wheels Go 'Round

By John Costello

**A**RE AMERICANS really in love with the auto? Is it true, as one male car buff claims, that "we are nothing but a bunch of moonstruck lovers bewitched by a flared fender instead of a flaring skirt?"

Does the sight of an auto really make our motors race, get our pistons pounding, and spark muffled explosions of emotion under our hoods?

If so, women as well as men are slaves to the passion.

"I could just hug that car," says Loreene H. French, past president of the Golden Gate region of the Antique Automobile Club of America. "And I have a model of it on my desk, so I can see it all day long."

She's talking about her purple 1930 Model A Ford coupe.

Anna W. Stanley echoes Mrs. French's sentiments.

"I really love my little car," she says.

The object of her affection is an award-winning classic—a 1931 four-door Cadillac. Anna, who describes herself as "the only boy in a family of three girls," restored the engine to mint condition.

**W**E EVEN WRITE love songs about the auto. Like *In My Merry Oldsmobile*.

True, that's a golden oldie, or an evergreen. But it wasn't only in a misty, sentimental yesterday that the muse moved us. How about those lines from *Crocodile Rock*—copyrighted in 1972 by Dick James Music Ltd:

*Long nights cryin' by the record machine,  
Dreaming of my Chevy and my old blue jeans.*

Collectors will pay a pretty penny for even an old Tin Lizzie. Recently, an owner in Eugene, Oregon, offered a 1914 Ford touring car—75 percent restored—for \$6,500. His ad ran in the *Horseless Carriage Gazette*, published by the Horseless Carriage Club of America.

Autos may or may not improve with age. But their prices certainly do. You could get a 1950 Ford convertible—36 years younger than the touring car and in good running

condition—for the "best offer over \$4,000." The owner put it up for sale in *Antique Automobile*, published by the Antique Automobile Club of America, Inc.

But fine, rare collector's items may cost a small fortune.

This year, a 1936 500K Mercedes-Benz roadster went for \$400,000. That's a new record for an antique car, says Christie's, the auction house that managed the sale for the estate of a Los Angeles real estate investor and car collector.

How much is spent each year by antique car collectors?

For born-again autos, completely restored?

For basket cases, found in farmers' barns, orchards, or front yards?

For rejuvenation at machine shops, paint shops, and upholsterers—bringing back their youth?

For parts at shows, flea markets, and through classified ads?

No one knows.

For example, *Hemmings Motor News*, a bible of the car collectors, carries more than 400 pages of advertisements in each issue. Most of them are bids and offers for cars, parts, and restoration services.

So much for free enterprise. Now back to raw emotion.

To C. Wayne Wagner, the big thrill is competition. He and his wife have His and Her cars: 1947 Chrysler Town and Country convertibles. This year, they entered them in Antique Automobile Club of America meets at Chattanooga, Tenn., Wooster, Ohio, and Hagerstown, Md.

**C**ARS ARE JUDGED on how perfectly they have been restored. You want your entry to look just the way it did when the first owner bought it.

The judges are sticklers for authenticity. One of the most common ways to lose points, a veteran judge explains, is to have improper grease fittings or the wrong style of hose clamps.

"There is nothing worse," he says, "than to see a beautiful restoration with the wrong type of valve stems." The



Wagners' cars both won award plaques at the Chattanooga meet.

"Then we competed in a higher class for the preservation award," Mr. Wagner says. "We won at Wooster and Ha-

PHOTO: JACK BULLIVANT-LEHMAN



When antique car owners gather to compete for awards, there is much emphasis on authenticity and a lot of polishing.

gerstown. This award is new this year. We got some of the first to be presented.

"It's hard work," he adds, "to get the cars just right—they are beautiful, wooden-body convertibles. But it's worth it. It's a thrill to win."

His 1947 Chrysler is tan with a black top. Hers is green with a black top. Why both Chryslers?

"Well," he says, "my brother and I own a Chrysler-Plymouth-Dodge dealership my father started in New Wilmington, Pa."

**Y**OU CAN OFTEN tell an antique car buff by the size of his garage.

C. Wayne Wagner's is 40 feet by 60 feet. It holds 11 automobiles.

Don C. Boulton's is 40 feet by 100 feet. Part of it is a restoration shop.

He is president of the Horseless Carriage Club of America. "The big thing in this club," he says, "is touring.

"We're much more into that than the *concours d'elegance* angle. That's a fancy French word for taking the cars out to a field, running them out of the

A club tour is nostalgia on wheels. Clothing of the era of the vehicle is encouraged on all tours. On annual national tours it's a must.

"We all dress up," says Mr. Boulton. "Frilly stuff and lovely hats with flowers on them for the women. String ties and funny suits with peg pants for us.

"We step back 60 years with just a change of clothes."

But, for him, "two thirds of the fun of the hobby is rebuilding the car. The rest is fellowship with people who have interests like mine," he says.

"I guess I'm a tinkerer. I always liked to work with my hands, and polish, fit, and assemble. I think that's something a fellow just comes by naturally," says the proprietor of Yow Brake and Clutch Supply Co., Oklahoma City, Okla.

He drives a 1904 Cadillac.

"The car," he says, "has a one-cylinder, eight-horsepower, water-cooled engine. It's under the seat, and you crank it from the side. The car will carry four



1907 Detroit

people right along at 25 miles an hour."

What does this first cousin to a horse and buggy look like?

"Well," he says, "like maybe the horse has just run off."

Don Boulton is right at home with lathes, milling machines, drill presses, and bead-blasters, a machine that uses beads of glass instead of sand.

Loreene French wouldn't know a bead-blaster from an ooga-horn.

"But you don't have to be a grease monkey to love antique cars," she says.

"My 1930 Model A is totally authentic—except for the color—because I had it restored. That took nine months.

"Mr. Ford used to say you can have any color you want—as long as it's black. Actually, there were tan, grey, and navy Fords, too, but all on the duller side of plain.

"Now, my car was purple when I bought it. A stripteaser had owned it. Maybe it was a little gaudy, but spiffy.

"And the color suited me to a T. Purple has been my favorite color ever since I've been alive."

But the original paint job wasn't the best. "The restorer stripped it to the metal, and put on 15 hand-rubbed



1911 Herresford

coats of purple paint until it shone like a mirror.

"Now you can stand 30 blocks away and part your hair in it."

Mrs. French owns French's Hitching Post in San Rafael, Calif., which sells Western and English riding apparel and equipment.

She likes to drive her Model A on tours, in Fourth of July parades, and on other festive occasions. She takes along a few friends to ornament the front and rumble seats.

"We dress up," she says. "The Charleston-type look—feathers and a bandeau around my head, long strings of beads, and a flapper skirt. And when we ride by in that little coupe with the rumble seat, the gold stripes and the whitewalls, I never see a grouchy face in the crowd."

**A**NTIQUE CARS can be like truffles—hard to find.

No one knows that better than Robert A. Gibbs. He's president of the Steam Auto Club of America, Inc.

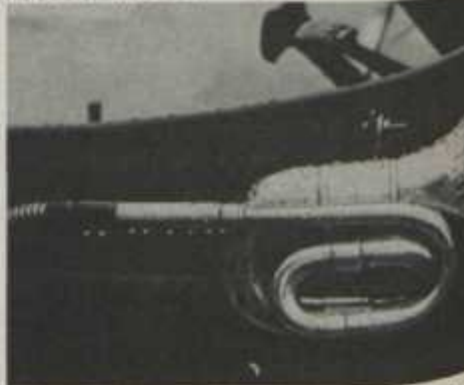
The steam carriage is far senior to what Mr. Gibbs calls the gas car.

Nicholas Joseph Cugnot of France built the first self-powered vehicle ever to move on a public road—in 1765. It ran on steam.

Steam-powered buses, carrying as many as 22 passengers, ran in Great Britain in 1801, Ken W. Purdy points out in his book, *Wonderful World of the Automobile*.

In 1896, F.E. and F.O. Stanley, identical twins, built their first Stanley steamer. The first time man

PHOTO: JACK BULLIVANT-LEHMAN



A fully restored antique car has a classy accessory that has long since vanished from the exterior of modern autos.



1911 Molini

trailers onto silk sheets, and having them judged—like a beauty pageant.

"We like to tour. The purpose is to get out these old cars—1915 vintage or earlier—and drive them hard. Give them a good workout."



# When He Gets Hurt, We All Get Hurt.



There's no arguing the fact that workers' compensation—America's oldest form of social insurance—has benefitted employees. Laws in all 50 states guarantee disabled workers continuation of income as well as expenses for medical care and rehabilitation.

But workers' compensation is not without its faults. Medical costs that rise more rapidly than other prices are part of the problem. But so are waste and abuse. Ultra-liberal interpretations of what constitutes job-related injury have put a strain on both employers and insurers. In some cases, partially disabled workers collect permanent benefits despite holding down full-time jobs, thereby receiving what amounts to double

compensation.

Add to these factors the threat of federal intervention that would aggravate existing problems by increasing present benefits without curtailing present abuses, and you have a very real threat to the system.

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1907 Ford

streaked across the earth at better than two miles a minute—127.6 miles per hour—he did it in a Stanley steamer at Ormond Beach, Fla., shortly after the turn of the century.

Steam cars have intrigued Mr. Gibbs, founder and now director of Gibbs Machine Co., Inc., Greensboro, N. C., ever since he was a kid.

"My dad owned a machine shop in Commerce, Ga.," he says. "I saw my first steam car there, and I never forgot it."

He joined the Horseless Carriage Club in 1953, when he had a gas car, a 1923 Franklin.

"But," he says, "I was always talking about steam cars. One day, when we were on tour in North Carolina, a member told me he knew where there was a steam car, although the owner wouldn't sell it."

"I went to see it anyway. The car was owned by an 81-year-old gentleman who lived in Bonneron, N. C. It was just a crossroads with a grocery store. Once there had been a post office, but that had disappeared."

"The owner, an ex-mail carrier, bought the car in 1909, secondhand. He intended to use it to deliver mail. That wasn't too successful. So he stored the car in his barn."

"In 1953, Hurricane Hazel tore his barn down. So he moved the car out under a big oak tree, near his farmhouse."

Under the oak was a 1901 White,



1915 Ford

once one of the most talked about cars in the United States. In 1905, the famous "Whistling Billy" (named after the hiss of its exhaust steam) was burning up the racetracks.

It once held the world's record for a mile track—74.07 miles per hour.

But it would have been hard to recognize the fleet speedster in the relic

under the oak tree. Mr. Gibbs was shocked at what he saw.

"There it was," he says, "sitting out in the weather, rotting away."

"I said to the owner: 'I know you won't sell it. But how can you let an antique sit out there and rot away? You're robbing future generations of something valuable.'"

"He wouldn't sell it because he hated to part with it. But he wound up giving it to me; I guess because he felt I would give it a good home."

It took the North Carolina businessman five years of tender, loving care to restore what has been described as "a pointed box on a set of wheels."

What's so great about a steamer?

"It has a maximum starting ability, or torque, at zero speed. It's always in gear, and when you open the throttle, it starts moving off smoothly with hardly a sound," says Mr. Gibbs. "It's

PHOTO JACK BULLIARD-LEWIS



*Hood ornaments are back in vogue. On antique cars they served as a radiator cap and temperature gauge.*

extremely quiet, very clean, with very little pollution."

He believes it has a future—as well as a past.

What kind of autos do car buffs collect? Almost any kind—of any vintage.

The Antique Auto Club of America, the country's oldest and largest automotive historical society, has competitive classes for all kinds of cars 25 years old or older.

But there are many kinds of car clubs for autos of much more recent origin—Corvette, Thunderbird, Volkswagen.

Membership isn't restricted to car owners. It's almost always open to enthusiasts who merely enjoy the cars or have an interest in their history, preservation, or restoration.

Restoration is Anna Stanley's specialty. She and her husband, Garvin, own the Red Bird Garage in Roanoke, Va.

That fits in nicely with her hobby.

This year, her 1931 Cadillac, a four-door sedan with a V-8 engine, took second place in its class at a national An-

tique Auto Club meet in Hagerstown, Md.

She restored it herself, with a little help from Garvin on tightening the wing nuts and bolts.



1911 Packard Eighteen Loudlet

"But the first car I restored from the ground up was a Model T Ford. My husband and I found it in pieces in a barn in Maggie Valley, W. Va."

Never heard of Maggie Valley?

"Well," Mrs. Stanley says, "it's hard to find, I'll tell you."

"We had to bring the car back in a stake-body truck, with all those pieces of the Model T piled up in the truck bed."

"And we were so proud of ourselves," she confides. "You see, I think we had given just a little or nothing for the car."

"As we were coming into Roanoke, a man pulled up behind us and said: 'I've got a Model T I'll give you, if you'll get it out of my yard.'"

"So we had two 1923 Model T Fords."

"My husband told me: 'If you'll sell one of these cars, I'll give you the other one.'"

"I got busy and sold one of the cars. And that's the way I got my first antique. I'm a wheeler and dealer."

Mrs. Stanley is a board member of the Antique Auto Club—only the second woman on the board since the club's founding in 1935.

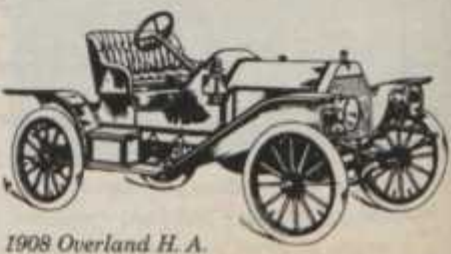
What did she do with the decrepit Model T from Maggie Valley?

"I put it together myself. I overhauled the motor, scraped the wooden wheels with a piece of broken glass, and took the car to the upholstery shop for a new top."

How long did it take to put Humpty-Dumpty together again?

"Oh, I'd say about a year," she replies.

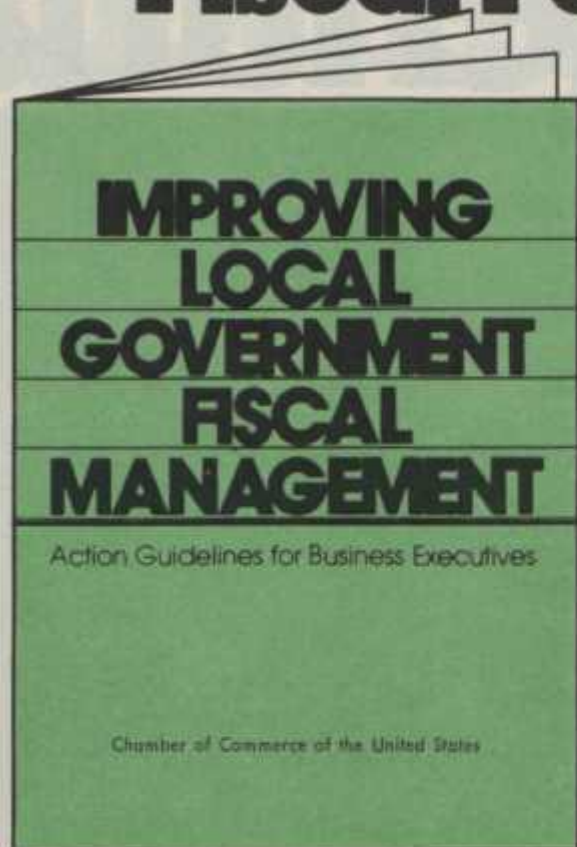
And what was the toughest part of the job? "None of it was tough," she says. "It was fun." □



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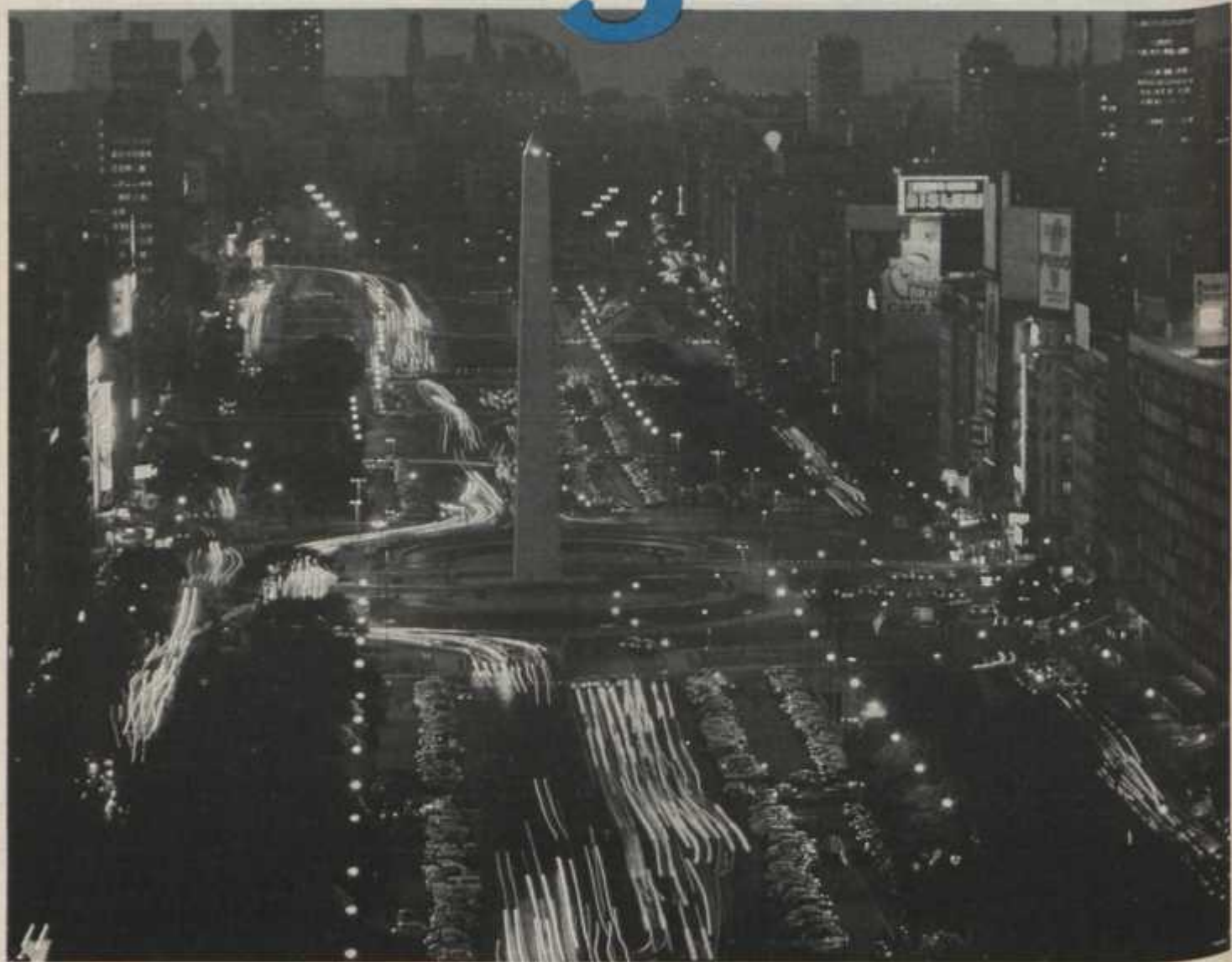
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# Argentina





# Country on the Rebound

This is the first in a series of seven commentaries on various aspects of Argentina today. Our objective is to provide the American public with an informed view of Argentina as an open, progressive, and friendly country.

Individual freedom has been an underlying principle of Argentine society since its emancipation from monarchical Spain in 1816. In this regard, Argentine history is very similar to that of the United States. Argentine independence was imbued with the concepts of individual freedom and democracy and it is these concepts which are firmly built into Argentina's constitutional framework and destiny.

Dramatic events during the administration of the Isabel Peron government, however, threatened these basic freedoms and the well-being of the Argentine people. To avoid further political and economic chaos, the armed forces intervened in March 1976.

The military became involved in a "dirty war" against urban and rural terrorists who were receiving support from international terrorist groups. Argentine revolutionaries espoused an ideology which ran counter to the views of the Argentine majority and contrary to every democratic principle. They labelled the legal system an instrument of class repression and murdered judges who were carrying out their judicial responsibilities. They killed, kidnapped, and tortured workers, businessmen (foreign and host country), and government leaders in an effort to bring about political and economic chaos. They supported their terrorist activities through ransoms and bank robberies.

This same repudiation and disrespect for democratic principles is being repeated today by terrorist aggression in other countries, industrialized as well as underdeveloped.

Motivated by the communist ideology of the violent overthrow of government, the terrorists in Argentina attempted to destroy the institutions of the constitutional system in order to establish a leftist totalitarian state. They were, in fact, close relatives of the terrorists who are operating today in Spain, Italy and elsewhere.

During the "state of seige" that existed in Argentina from 1976-78, the terrorist tactics of the guerrillas forced the armed forces to adopt a strategy of "fighting fire with fire." Excesses on both sides were the unhappy consequences of an ideological extremism which attacked with full force and with utmost contempt, the human person.

Fortunately, the armed forces, with the backing of the Argentine populace, have defeated the internationally-supported terrorists who sought to make Argentina a Marxist state. Presently, Argentina is in the throes of returning to normalcy. Evidence of this is clearly witnessed in the government's return to the full exercise of justice through the civil courts; re-establishment of the rule of law and constitutional guarantees; and the reaffirmation of private initiative and enterprise. All of these positive and progressive policies have produced an environment in which the human rights of the majority are safeguarded and an economic recovery which benefits all Argentine society.

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# How to Achieve Total Financial Freedom

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By the way, I know I didn't make a million dollars because of my superior intellect — I barely got through Ames High School (Ames, Iowa) with a C average. I did a little better later on but I soon realized that a salaried job was not the way to become financially free. If you'll stop and think, you'll realize that millionaires do not work 10, 20, or 50 times harder or longer than you.

**FINANCIAL FREEDOM.** It seems that most people who are charging for financial advice have studied how to "do it" but have never actually "done it" themselves. You will find as you read my formulas, that since I have actually achieved total financial freedom myself, that you will receive from me more than just the motivation to achieve your own financial independence, but a workable step-by-step plan to actually do it.

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- compounds your assets at 100% yearly.
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- buy bargains at one-half the market value.

**MORE LEISURE.** If you apply these formulas and methods you will find in a very short time, you will be able to do almost anything you care to do, and I think, at that time, you will find as I have, that spending several weeks on the beaches of Hawaii, or on the ski slopes of Colorado, or just sightseeing in Europe, or any other place in the world, you begin to understand what *real freedom* is all about.

Most people think that it would be impossible to do some of the things listed above. For example, to buy a property, and at the same time put \$10,000 (or more) cash in your pocket without selling the property, or to buy a property with little or no cash down.

Believe me, it is possible and fairly simple. This is exactly how most wealthy people ac-



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tually do make 10, 20, or 50 times more money than you do.

**YOUR MONEY'S WORTH.** While I was struggling on making my first million, I often thought how nice it would be to have the personal advice and counsel from someone like Howard Hughes or J. Paul Getty.

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country lose, not because they lack intelligence, or even willpower, but because of procrastination, or lack of action — please don't be like the masses. Make a decision while you have this paper in your hands. Make a decision now to either act now and send for my material or immediately round file this paper. If your decision is to order, do it now, not later. Otherwise you may lose, just by default.

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## Electric Cars Draw Some Positive Support

**G**ASOLINE LINES were long. Tempers were short. During a summer plagued with spiraling pump prices, Americans began viewing their gasoline-slurping automobiles with something less than adoring eyes.

Electric-powered vehicles, which made their debut at the turn of the century, may be in for a more serious look from gasoline-conscious Americans. The obvious advantage of electric cars is that they don't use gasoline. But there are some problems.

Critics are quick to point out that electric cars require recharging, which uses other energy resources to produce electricity. Also, electric cars are heavy and small and have a limited range. The lead-acid batteries now used to power most electric cars have a life of 18 to 24 months and cost as much as \$2,000 to replace.

In July, NATION'S BUSINESS asked if electric cars were the answer to America's gasoline shortage. Respondents were almost evenly divided, with electric vehicles getting a vote of confidence from a slight majority.

"If in-town cars could be limited to electric, the savings in gasoline in our major cities alone would solve a great many problems in gasoline production, supply, and dependence on foreign oil," says Clyde R. Hoey II, president of Grimsley & Grimsley, Inc., Portsmouth, Va.

Fred Michaelyan, owner of Berkshire Carpets, Great Barrington, Mass., says: "The time has come when nothing must stand in the way of developing electric cars."

Arlene Lawson, innkeeper of the Holiday Inn in Benton Harbor, Mich., relates this story: "We felt so sure ten years ago that electric cars were the answer that we installed two recharge stations. We used to have an experimental car that would stop here on its way to Detroit. And not a small car, either, but a regular-size American Motors car with batteries."

"We liked them back in the late fifties and early sixties. Why has it taken so long to develop them?"

Brent Wilson, microwave supervisor at the Siskiyou Telephone Co., Fort



*Harold Jones, president, Action Business Machines, Inc., Garland, Texas, says electric cars won't ever replace gasoline-powered autos.*



*John W. Rowan, president, Energy Development Associates, Madison Heights, Mich., says ten percent of passenger cars could be electric.*

Jones, Calif., is not sold on the electric car as a solution to gasoline shortages.

"There is an old, but simple rule of physics—you can't get something for nothing. I question how much fuel is required just to carry the heavier batteries? How much energy to make the batteries? And most of all, how much energy to charge the batteries?"

"I don't think we have the scientific knowledge to develop an electric car that the public can afford to use," says Glen A. Chase, vice president of Home Federal Savings and Loan Association, Marion, Ohio. "I, for one, would rather walk or ride a bike than buy an electric car."

Stuart P. Nichols, vice president and secretary of the Nichols-Belleville Agency, Inc., Tupper Lake, N. Y., also answered no. He says: "The answer lies in responsible government action to encourage the auto industry to reinvent the auto."

"The electric car should not be thought of as a replacement for the car as we know it today," says Walter H. Mueller, director of technical services for the Indianapolis Power & Light Co., Indianapolis, Ind. He suggests that a two-passenger vehicle for commuting and shopping, with a top speed of 20 miles per hour, should be developed.

Charles M. Davis, aerospace engineer for the Marshall Space Flight Center/NASA, Huntsville, Ala., agrees with Mr. Mueller. He substantiates the feasibility of electric cars with U.S. driving statistics. Ninety-two percent of all one-way trips (i.e., trips that end with a parking period of several hours) cover distances of less than 20 miles, he says. He adds that these trips account for more than one half of all miles driven by private vehicles in this country.

"Electric cars may be an interesting, expensive status symbol for some people, to indicate that they are doing their part to solve the gasoline shortage," says Lloyd E. Shepard, vice president and assistant trust officer, Farmers Savings Bank, Marshall, Mo. "Electric cars as a solution for the energy problem will only be a symbol, like the White House's solar hot water system."

"Americans must end their love affair with the automobile," says Ed Norris, manager of Party Time Ice, Inc., Tarpon Springs, Fla.

"Mass transit and a change in commuting habits have to evolve. There is little benefit from having electric car traffic jams instead of gasoline car traffic jams."



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# Out of Work, But in the Money

Displaced employees in certain industries  
are benefiting from special federal payments

By William Kroger

PHOTO: FRED WARD—BLACK STAR



Airline employees who lose their jobs because of deregulation of the industry may receive as much as 70 percent of their after-tax income—up to \$1,200 a month—for as long as six years. Final benefits are not yet set.

**P**EOPLE WHO TREK to the local unemployment office when they are laid off, fill out intricate forms, and wait in seemingly endless lines stand to gain jobless benefits ranging from a low of \$80 a week in Mississippi to a high of \$172 a week in the District of Columbia.

But there are others who by going through the same process stand to gain much, much more. The difference centers on the types of jobs they had. Congress in recent years has created several little-known compensation programs that benefit special groups of workers ranging from West Coast lumberjacks and eastern coal miners to northeast railroad employees and, soon, airline workers.

Benefits paid through three of the

programs so far amount to nearly \$1 billion. Two other programs are expected to start this year. All benefits are funded by general taxes, unlike ordinary unemployment compensation, which is paid for mostly by taxes on employers.

Two of the programs are contained in laws that created Amtrak in 1970 and Conrail in 1973. The others come under the trade adjustment assistance program, which went into effect in 1975, and the Redwood Expansion and Airline Deregulation acts, both of which became law last year. Benefits under the Airline Deregulation Act are now being set; Amtrak benefits, which were set in 1973, will not kick in until Amtrak routes are cut next month.

The wheels that set these individual compensation programs in motion began in the late 1960s with the merger of the Pennsylvania and New York Central railroads. The managements of both railroads agreed to extraordinary protection of affected employees to gain acceptance of the merger by the unions involved. However, the labor agreements were criticized after the merged railroad, the Penn-Central, filed for bankruptcy. Subsequent congressional hearings led to the creation of the Consolidated Railroad Corp., or Conrail, in early 1974.

## Generous provisions

"Employee benefits of the merged carrier were cited as one reason for the carrier's collapse," says Robert M. Hawk, community and regional development director for the Chamber of Commerce of the United States. But Congress, "as a way of gathering support for Conrail, was willing to accept generous labor protection provisions," he adds.

Under the Regional Rail Reorganization Act, which created Conrail, employees displaced as a result of the merger could receive 100 percent of their annual average gross pay, not to exceed \$2,500 a month. This money, for employees with five or more years' service, is payable until the employee becomes 65.

Employees with fewer than five years' service also became eligible for compensation: For three years' service, a lump-sum payment equal to 72 weeks of pay; for fewer than three years' service, one payment equal to 36 weeks' pay.

## Seniority district

There were no statutory provisions either to train displaced employees in new occupations or to help them find other jobs. However, if an employee receiving benefits is offered a position in



his or her same class or craft and seniority district and turns it down, benefits end.

If the position is outside the seniority district and more than 30 miles away from an employee's residence, that individual can accept the position, go on furlough, or draw severance pay. If furlough is chosen, benefits end, but can be reinstated if the individual goes to work and then is laid off at a later date. If severance pay is chosen, the individual cannot work again for Conrail. Maximum severance pay is \$20,000.

Since the actual reorganization in 1976, an average of 12,000 people a month have been drawing benefits. The initial \$250 million appropriated by Congress to cover these benefits is nearly gone; legislation to provide \$200 million more through fiscal 1982 has been introduced.

#### Amtrak benefits similar

Benefits under Amtrak are similar, but compensation is based on net pay instead of gross pay, and participants can draw benefits for only six years.

The administration has requested that 43 percent of Amtrak's routes be cut, but Congress apparently has other ideas. Last month, citing increased Amtrak usage, the House voted to trim the routes by only 18 percent. The Senate voted a 20 percent cut. A conference committee will have to iron out the difference.

At the 43 percent cut, federal officials had estimated that 5,800 employees would lose their jobs. Based on that number, an Amtrak spokesman says benefits to these displaced employees over the six-year qualifying period would amount to about \$97 million, with \$69 million being paid in the first year because of the law's lump-sum provisions.

#### Paid out of capital funds

Alan S. Boyd, Amtrak president, has also complained that benefit payments under the administration's proposal would have to come from capital funds. Amtrak has requested \$171 million in capital expenditures for the coming fiscal year, most of it to be earmarked for the new equipment and track and roadbed maintenance that Mr. Boyd says are so desperately needed.

Congress, however, has changed the spending estimates. The House has approved an increase in the capital expenditure request from \$171 million to \$230 million.

The Senate increased Amtrak's capi-

tal expenditure request to \$176 million, but added \$30 million to the overall budget, earmarked specifically for labor compensation payments. The differences, as with the reduction in Amtrak miles, will have to be ironed out in a conference committee. If fewer Amtrak miles are cut, then fewer employees will lose their jobs, and compensation payments will be less than projected earlier.

The President also can block what Congress does, so final projections are speculative now.

The benefits program under the

trade adjustment assistance program, which was set up to help workers displaced by foreign imports, has paid out more than \$691 million to 440,000-plus workers since it began in 1975. Last year alone, 156,000 workers drew \$275 million, up from the 117,000 workers who drew \$149 million in 1977.

Beneficiaries of this program range from miners to textile workers to clothing-industry employees. The maximum weekly benefit is based on the average manufacturing wage, which recently was \$250.

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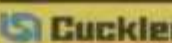
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PHOTO: CHRISTOPHER BRUNHAM—BLACK STAR

Liberal benefits are being paid to certain jobless workers, thanks to Congress. For example, California redwood loggers displaced because of a new federal law can actually draw more in benefits than they earned when employed.

which took effect this year, an employee could receive more compensation than he or she earned when working. The law added 48,000 acres to the National Redwood Forest; at the same time, less acreage is available for the lumber industry. It is estimated about 1,300 employees will lose their jobs.

#### Benefits formula

The benefits formula for displaced workers multiplies total hours worked over a three-year period times the highest hourly rate paid, then computes the average. The highest hourly rate probably will be the most recent one paid. If an individual worked more hours in a previous year, including overtime, benefits can exceed the individual's salary at the time he or she was laid off.

The redwood law also allows just about anyone involved with the affected industry to qualify for benefits regardless of the reason for losing a job, except being fired for cause.

Lump-sum payments, possibly as high as \$15,000, are provided for certain employees, and health and pension benefits are paid by the federal government. In addition, under a retraining provision, participants can obtain college degrees with the help of federal payments.

The Labor Department reports that average pay in the program is running at about \$250 per week, which includes unemployment insurance payments. Benefits can last for as long as six years, and when unemployment insurance payments end, the redwood benefit program will make up the difference.

Monthly and lump-sum benefits paid under the law since it took effect are more than \$6 million. More than 600 individuals are drawing monthly benefits; about 300 others received lump sums.

One federal official contends that the California loggers protested the federal lockup of additional redwood

forest because it threatened their jobs. The trade-off approved by Congress was a liberal benefit package for displaced logging workers, the official says. "People don't know about these benefit programs; all they know is we saved some redwoods," he adds.

#### Right of rehire

The newest of the five compensation programs is the Airline Deregulation Act, signed into law last October.

Qualified employees displaced as a result of deregulation become eligible for rehire first anywhere within the airline industry, to be recalled first by the former employer, and to be credited with the same seniority wherever the individual goes.

These provisions have created confusion and some concern among employers. For example, an employee who worked for one airline is supposed to have first right of rehire at another airline. What if the individual is a union member, and the hiring airline is nonunion? What if the individual belongs to one union, goes to work for an airline represented by another union, and does not want to change unions?

Under the law, Congress did not set benefit levels, although a six-year limit was stipulated. When debating the issue, the House and Senate could not agree, so they turned the matter over to the Labor Department. Congress will review the regulations before they become final.

Maximum benefits recently suggested were 70 percent of an individual's after-tax income, with a ceiling of \$1,200 a month. However, airline unions want more.

#### At what price?

Robert S. Kenyon, deputy director of the Office of Program Management for the Labor Department, asks: "How much is all this going to cost us? If unemployment insurance is inequitable, then perhaps we should address any problems that may exist with the basic compensation system instead of enacting all these other special benefit programs," he says. Fragmentation of compensation programs is inequitable to American workers in general and is expensive because of increased administration costs, he adds.

Mr. Kenyon foresees the possibility of liberal benefit programs used as trade-offs in legislation dealing with the Alaska lands lockup bill and trucking deregulation. The list could be endless.

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Domestic television production could increase because of new technology.



The digital recording system pioneered by the 3M Co. will mean a revolution in sound, if the innovative method is accepted by the industry.



A popular event is the consumer electronics industry trade show. The 1979 show in Chicago's McCormick Place attracted more than 60,000 people.



Miniaturization has allowed the TV set to follow viewers to the great outdoors.



Home entertainment in the future will be centered around the new big screen TVs like this General Electric model.



# CONSUMER ELECTRONICS:

Nation's Business  
**INDUSTRY  
SPECIAL  
REPORT**



## New Technology May Dam the Flood of Imports

By Mary L. Tuthill



Magnavox's optical videodisc player uses a laser beam to read images and sounds on the videodisc, which are then relayed to the viewer's television set.

**C**ONSUMER ELECTRONICS got off to a static-crackling start 59 years ago when regular radio broadcasting began beaming out over the airwaves from stations KDKA in Pittsburgh and WWJ in Detroit.

A spate of inventions and technological breakthroughs such as the vacuum tube, the transistor, and microcircuitry teamed up with mass production to make sight and sound devices as common in the home as central heating. Today, the industry is in the throes of a metamorphosis sparked by advanced computer technology.

Early radios were bulky and heavy. Solid-state electronics has resulted in radios as small as a package of cigarettes. The picture tubes of primitive television receivers were about the size of a page in a book. Now, projection systems give viewers the luxury of a giant screen that takes up an entire wall.

The industry has come a long way from the Atwater Kent console. In the 1930s and 1940s, radio was in its heyday. By that time, there were 150 million radios in homes, cars, and public places. In 1939, the industry posted \$340 million in sales.

By the mid-1950s, television had blanketed the nation, and consumer electronics, the accepted generic name for the industry, never looked back. Retail sales of consumer electronics were an estimated \$15 billion in 1978, says the Electronic Industries Association.

### New generation

In addition to television, radio, and audio equipment, the association says, the industry includes a new generation of products: Citizens band radio transceivers, telephone equipment, cable television systems, computers, calculators, language translators, automobile electronics, home fire and intrusion detectors, and electronic watches and clocks.

Unquestionably, television has been the heavyweight of the industry. The association says that factory sales of both color and monochrome TVs totaled \$4.3 billion in 1978.

Although crude color television pictures were demonstrated as early as 1930, real growth was delayed until regularly scheduled TV broadcasting spanned the nation following World War II. In the years since then, Americans have purchased nearly 300 million television receivers, including more than 100 million color sets.

While the end of World War II brought a sharp decline in electronics manufacturing to fill military needs, new products developed for the military, such as radar and the digital computer, filled the gap as they were applied to consumer products.

### TV market captured

As the industry grew, labor costs forced many firms to move assembly plants overseas. When the Japanese got into the television market, they captured it.

In 1976, before an orderly marketing agreement was negotiated with Japan, that nation supplied 90 percent of U. S.





This anechoic chamber—a room without echoes—is used by Zenith Radio Corp. to test the frequency response of the firm's line of stereo speakers.

color television imports. By June of 1978, the Japanese share had dropped to 57 percent, but imports from Taiwan, Korea, and Canada had more than doubled.

Recent enforcement of antidumping regulations also has contributed to a significant reduction in Japan's exports of color television sets to the United States. In May, exports fell to 49,000 units, down 31 percent from April and down 65 percent from a year earlier.

#### Totally dominated

Restraints on color TV imports may impede, but will not stop the increasing import penetration of the domestic consumer electronic market, says the Commerce Department. Almost half of the market, say department analysts, consists of audio and videotape recorders, home radios, and low-cost hi-fi equipment. These markets are almost totally dominated by imports.

Other factors also may influence the future. New technology has reduced the labor needed to assemble electronic

products, making it practical for some production to be moved back to the United States. It has also made possible new product lines such as videotape and disc recorders, which, for the first time in recent years, give this country a chance to compete in the production of some consumer products.

But there is no turnaround in sight. In 1973, the United States exported \$318 million and imported \$2.2 billion worth of consumer electronics goods and services. This year, the United States will export an estimated \$650 million while importing \$5.4 billion.

The long-term growth and size of the U. S. consumer electronics industry will depend largely on its competitiveness in developing, manufacturing, and marketing home video equipment, says the Commerce Department.

In *U. S. Industrial Outlook 1979*, the department warns: "The domestic industry will not only have to retain most of the U. S. color TV market when import restraints expire, but also acquire and maintain a major share of the emerging

peripheral TV equipment market. "The market for video cameras, video recorder-players, computerized electronic games, interactive TV control consoles, and other TV-related equipment could exceed the size of the present TV market within a few years."

A survey by Media Statistics shows that Japan may be losing its edge in videotape equipment. Sony Corp., which began marketing its recorder in the United States in 1975, has accounted for 26.4 percent of the machines acquired since then. RCA Corp., which began marketing a rival design in the fall of 1977, was just behind with 24.3 percent of the machines in use. That fast catch-up, the survey says, tends to support RCA's claims of current market leadership.

Sales of these units are expected to reach 1.25 million in 1979. If that level is achieved, the videotape recorder market will exceed \$1 billion in 1979, second only in size to the color TV set market. The demand is growing rapidly and has already fueled a pirate tape industry.

#### First on the market

Newer still on the home entertainment scene is the videodisc player. And this time the competition is between two U. S. manufacturers: Magnavox and RCA.

Magnavox was first on the market with a videodisc player that was introduced in Atlanta and will be marketed in other cities as production increases.

RCA plans to bring out a competing system by Christmas, 1980. "Videodisc is the greatest TV innovation from a U. S. manufacturer since RCA introduced color TV in 1954," says Robert Shortal, the company's director of news and information.

The discs are like phonograph records that can relay video images as well as sound. Like videotapes, the discs are used with ordinary TV sets. But, while programs can be recorded on tape cassettes for later viewing, the discs will play only prerecorded material.

The price, several hundred dollars lower than that of videotape recorders, is expected to appeal to a larger market. The discs also will cost substantially less than tapes.

#### Both systems

"We believe that the videodisc and videotape machines will coexist," says Mr. Shortal. "Some people will opt for a disc system because of the lower price; others will have both systems."

The Magnavox noncontact optical system uses a laser beam to read the in-



formation from an aluminum-coated disc. The firm claims that the discs will not wear out; nor will fingerprints or smudges affect play.

The RCA system will use a needle. The firm claims its system will be less subject to damage in a home environment and will be easier and less expensive to repair.

Since the machines cannot record, the availability of a wide selection of discs will be an important factor in machine sales. With about 140 selections now on the market, prices for discs jumped after the first six months. Feature films rose to \$24.95 from \$15.95, and classics cost \$15.95, up from \$9.95.

### Alphanumeric keyboards

Home computer and electronic games are also growth products. Since the introduction in 1972 of simple ball-and-paddle video games, the technology has become more sophisticated.

The variety and versatility of programmable games are made possible through the use of microprocessors, alphanumeric keyboards, and tape cassettes. Computer-type software is now being used to program some games, an important step in the development of a large market for home computers, according to some market analysts.

The main difference between sophisticated games and home computers is that home computers have more programming and memory capabilities. But, says the industry association, computer and game manufacturers are combining the capabilities of both products. Games are becoming more computer-like, and most home computers now include game functions.

### CB radio craze

Home video centers could be common in the 1980s, says the Commerce Department, and threaten to cut into theater attendance. But the trend is not likely to spurt ahead with the vigor of the citizens band radio craze that washed across the country following the Arab oil embargo of 1973-1974.

CB sales peaked in 1976 at \$980 million, with about 82 percent imported, and dropped to about \$715 million in 1977, with about 85 percent imported. The industry's association says CB radio is "an important and mature product destined for steady yearly sales at around five million units."

The Commerce Department attributes some of the problems of CB radio sales to the Federal Communications Commission, which increased the number of CB channels from 23 to 40. Buyers, wait-



Citizens band radios, which have become an important part of American life since their introduction in 1958, have added a new jargon to the language.

ing for the new models, left dealers with large inventories of 23-channel models. The drastic price cuts needed to sell the 23-channel sets and their ready availability left little demand for the 40-channel sets when they hit the market. Price reductions were also necessary to sell those.

"What had been a sellers' market with substantial profits has become a buyers' market with marginal profits, losses, and business failures," says a Commerce Department report.

But new, highly sophisticated, and expensive transceiver models using microprocessors are expected to create a new demand for CB equipment with greater capabilities than the older models. The Commerce Department report predicts that "there will be a gradual expansion, encouraged by the market for replacement equipment and original equipment in automobiles, to perhaps \$750 million per year by 1982."

### Sales renaissance

Meanwhile, television sales continue to grow. *Electronic Market Data Book*, published by the industry association, reports: "Last year was a real record breaker in color television. Sales to dealers exceeded ten million units for the first time in history, surpassing those of the previous record year of 1973 by more than ten percent."

The book adds that monochrome TV enjoyed a renaissance in 1978 with 6.7 million sets sold, which was black-and-white's best year since 1973 when 8.2 million sets were sold. Despite these increased sales, 1978 also was the first



The Quasar Electronics Co. film-to-tape conversion system turns any film and 35 mm slides into videotape.

year when the number of color sets in use exceeded black-and-white sets. The market for black-and-white sets is now almost entirely limited to portables, with the 12-inch diagonal screen continuing to be the best seller. In 1978, 99 percent of monochrome sets sold were portable or table models. Strong growth is expected for the AC/battery-operated sets that combine a small screen with a radio and an audiotape recorder.

Sales of portable and table-model color sets have increased, but consoles still



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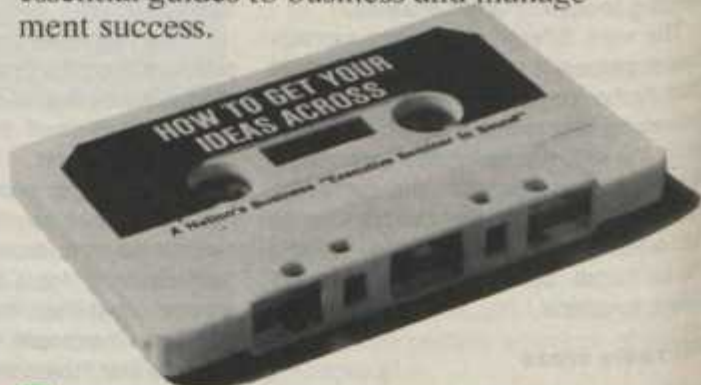
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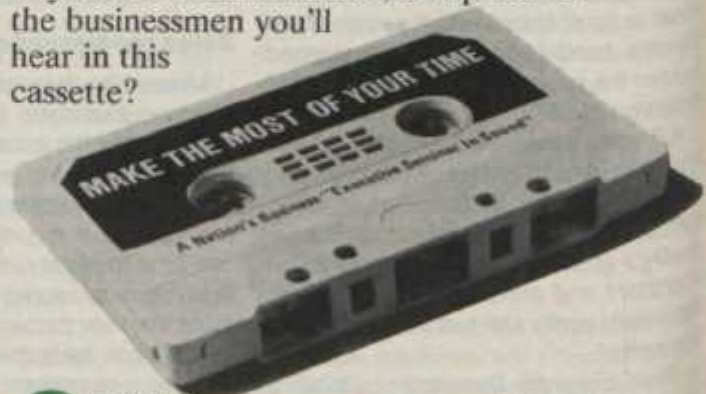
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represent more than a quarter of sales in units and a considerably greater share in dollars.

Most early purchasers of color sets, says the industry association, bought consoles and are now replacing these sets with new models of comparable screen size and cabinet dimensions.

#### Four radios per capita

Early on, the popularity of television brought predictions that it would kill the radio industry. But in the 32 years that cover the history of commercial television, Americans have bought more than a billion radios. This figure does not include the hundreds of millions of radio-phonograph, radio-recorder and radio-television combinations, and high fidelity radio tuners and receivers. Nevertheless, it is equal to more than four radios for every man, woman, and child in the country.

FM continues to dominate, with 70 percent of non-auto radios equipped to tune to the FM band. Multiband sets and other specialized types are gaining in popularity. These include sets that can tune into shortwave broadcasts from foreign countries, ship-to-shore radios, and government-operated weather stations.

The audio component market has

been growing at ten to 20 percent annually in recent years. Although audiophiles continue to demand more sophisticated and expensive tuners, amplifiers, turntables, loudspeakers, stereo headphones, and accessories, the predicted quadraphonic sound boom never went off.

The chief reasons for its failure seem to be the difficulties of arranging the average room for quadraphonic listening—with all the seating near the center of the room—and the limited selection of records available.

Now, a new method of digital recording, based upon the reduction of sound signals to discrete electronic pulses, promises some dramatic changes over the next few years.

Digital recording has a wider dynamic range than the conventional analog recorder and is designed to produce a clear sound free of distortions. It is the greatest structural change in the recording industry since the wax cylinder was replaced by the pressed record in the early 1900s.

North American Philips Corp., with a new compact disc system, plans to market these perfectly reproduced sounds within the next few years.

Philips says the price of the unit will

not be prohibitive—about the same as for a good turntable—and that the discs should not cost any more than the average long-playing record.

Whether the compact disc will become the sound of the future or go the way of quadraphonic will depend largely on whether recording studios make the full transition to digital recording. The costs of doing so are exorbitant now, and the system lacks sophisticated editing capabilities.

Also, unless the public can easily obtain the latest hits on compact discs, interest will be minimal. But if it catches on, the new system could do to the long-playing record what the LP did to 78s and extended-play records in the 1950s.

#### Pure iron particles

Meanwhile, there are efforts to improve the conventional stereo systems. The 3M Co. is testing a new audiotape called Metafine, which uses pure iron particles instead of oxides, enabling cassette recorders to reproduce audio frequencies from 20 to 20,000 hertz—the range of normal human hearing.

Prerecorded material on this tape can be played on a standard machine, but is not compatible with present recorders. New units would have to be designed to use it.

U. S. factory production plus imports of auto radios came to an estimated \$582 million in 1978, and industry sources place the total U. S. auto-sound market in 1978 at about \$992 million.

In keeping with the trend toward more compact systems, cassette players have been gaining popularity over 8-track cartridge systems and are expected to account for more than 80 percent of next year's automobile tape system sales.

#### Total radio sales

Continued talk of a deep recession or depression could result in marked reduction in electronic product sales, but midway into 1979 the only segment of the industry to show a decrease in sales to dealers over 1978 is total radio sales; auto radio sales were up 6.4 percent.

If the economy stays relatively strong in the next few years, the Commerce Department predicts that by 1983 shipments of consumer electronics will be about 25 percent above 1978 levels in constant dollars. This would represent a compound annual growth of 4.6 percent.

The major factors stimulating this growth will be high consumer incomes, additional households, and new product development.

The flood of imports, however, remains the industry's major problem.

## A Threat to Hollywood

Hollywood and theater owners are not exactly having fits of joy over the prediction by the Commerce Department that home video centers could become common in the 1980s and cut into theater attendance and other forms of entertainment.

In Columbus, Ohio, the Warner Cable Corp. is already testing the market with a two-way TV cable system that provides several new services.

In addition to local and imported TV channels, the system offers a wide range of local programs, new and classic movies, sports and arts programs, and educational courses priced from \$1 to \$3.50 each. Subscribers get a control panel which offers 30 channel choices. The system also has five response buttons that allow subscribers to participate in local shows, vote on referendums, take quizzes, purchase products, and even rate programs.

The system was used recently to poll viewer responses to President Carter's energy speech. Prior to that,

it was used by Food and Drug Administration Commissioner Donald Kennedy to get consumer responses to product labeling. The Chamber of Commerce of the United States also has used it for polling.

"In the 19 months the system has been operating in Columbus, the number of subscribers has doubled," says Leo Murray, the company's vice president for public affairs.

Recently, subscribers also have been offered a home security option with links to fire, burglary, and emergency services. Because consumer response has been good, Mr. Murray says, the company plans to expand its services to other cities.

It is still too early, says the Commerce Department, to forecast what type of home communications and entertainment systems will evolve from these experiments. But, departmental analysts believe, such systems will eventually generate a large market for both consumer electronics hardware and software.



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## A Synthetic Corporation to Produce Synthetic Fuel?

**E**DWARD DAY, President Eisenhower's postmaster general, told of receiving a letter addressed to God, which said: "Dear God, we're poor and hungry. Please send \$100."

Moved by the appeal, Mr. Day put a \$20 bill of his own into an official envelope and sent it off.

A few weeks later another letter arrived from the same party. This one said: "Dear God, we need another \$100. And please don't route it through Washington, because last time they deducted 80 percent of it there."

The danger of something similar happening to this country's synthetic fuels program is good grounds for opposing President Carter's proposed Energy Security Corp.

The government corporation would get \$88 billion in public funds, most of it from the windfall profits tax to be imposed on the oil industry from 1980 to 1990. This money would be used over that decade to build synfuels plants, make or guarantee loans to producers, and support prices.

In other words, money that the energy industry could have used to produce synfuels will be taken from the industry by the federal government, then given back to the industry to use to produce synfuels—minus whatever it costs to run the new bureaucracy, of course.

Other parts of the President's energy program have a similar flavor:

- Electric utilities that not too long ago were ordered to switch to oil from coal—envi-

ronmentally objectionable—and natural gas—too scarce—are now being ordered to switch from oil—economically objectionable—to other fuels, including coal and natural gas.

- A new federal agency called the Energy Mobilization Board is to be created to cut through the red tape caused by other government agencies.

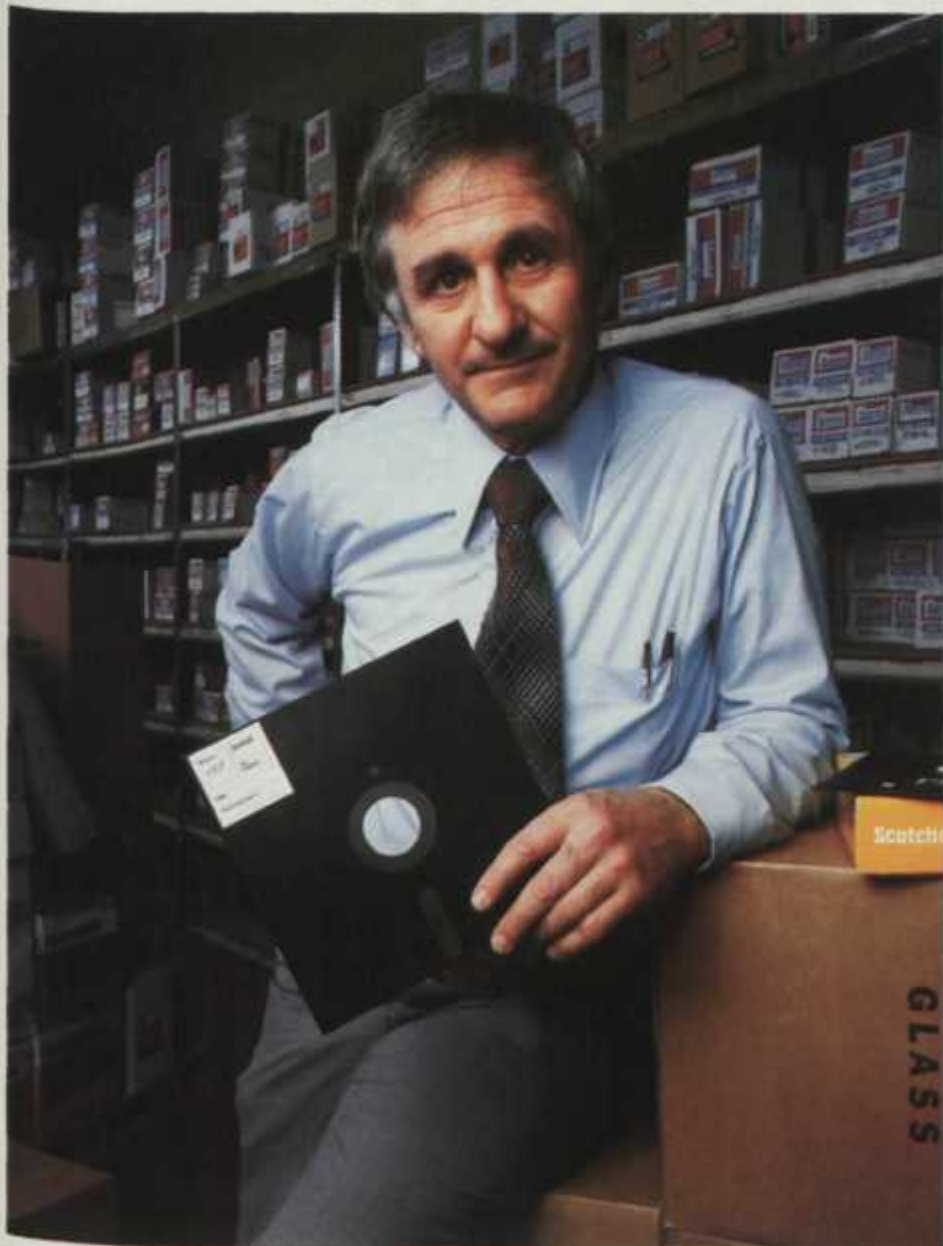
The board could make a significant contribution to domestic energy production if it is given the power to waive rules and statutes impeding the construction or operation of critically needed energy facilities. It might begin, for example, by abolishing the Energy Security Corp. But if the board gets only enough authority to add to the confusion, it won't merit business support.

Then there is the larger question about the wisdom of creating new government programs to cope with the problems generated by older government programs. Why not just scrap the offending programs? There must be some appeal in that simple idea. It helped elect Jimmy Carter.

Our energy supply problems are such a complex blend of economics and politics that it is difficult for even a well-informed insider to sort things out. But most of us can remember what life was like before the government started protecting the consumer from the oil companies: Gasoline at times sold for less than the price of bottled water, and no one had to sit in line to get it. □



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Each one is tested and certified error-free before it leaves our factory. Because we know nothing less than perfection is acceptable for your vital business data.

Scotch Diskettes are available in regular or mini sizes, compatible with almost any system.

To find out where you can purchase Scotch Diskettes, call toll free: 800-328-1300. (In Minnesota, call collect: 612-736-9625.) Ask for the Data Recording Products Division. In Canada, write 3M Canada Inc., London, Ontario, N6A 4T1.

If it's worth remembering,  
it's worth Scotch  
Data Recording Products.



**3M**



# Announcing good taste at only 3 mg. tar.

**Read how new Flavor-Intensified<sup>®</sup> Triumph  
gives you taste good enough to stay with  
at only 3 mg. tar...one of the lowest  
tar levels in cigarettes.**

Triumph. The first and only cigarette that delivers  
good taste with only 3 mg. tar.

If you've ever been disappointed  
by one of the very low tar ciga-  
rettes, you will understand why  
Triumph is quite an achievement.

#### **Even the draw is a surprise.**

The smoke comes through  
abundantly. The taste reaches  
you smoothly. Effortlessly. With  
none of the struggle you may  
have experienced in other very  
low tar brands. You don't have to  
*pull*—you just *puff* on Triumph.

#### **No gimmicks, no miracles.**

No less remarkable than  
Triumph itself, is the technology  
that enabled us to build it.

The crux of it: Instead of  
searching for some yet unimag-  
ined answer, Lorillard scientists  
took a more sensible tack.

Why not, they said, take everything we've learned  
about cigarettes, and push that technology farther  
than we've ever pushed it before.

#### **Delivering taste, limiting tar.**

We found, for example, that combining two types of  
filter fiber produces the best  
combination of taste and draw.

That tiny "vents" in the filter  
rim *smooth* the taste.

That lower-leaf tobaccos  
(shaded from the heat of the sun)  
tend to be milder and lower in tar  
than those at the top of the plant.

In short, everything we could  
find that might *intensify flavor* at  
3 mg. tar, was built into Triumph.

#### **Taste you won't get tired of.**

What it all comes down to is  
this: Triumph is not one of those  
ultra low tars that spoil your  
pleasure by short-changing you  
on taste.

Triumph, at only 3 mg. tar,  
is a cigarette with a taste you  
can stay with. So good, we  
believe *you'll never want to go  
back to your old cigarette.*



# TRIUMPH<sup>®</sup>

One of the lowest tar cigarettes you can smoke.  
The one with taste enough to stay with.

Warning: The Surgeon General Has Determined  
That Cigarette Smoking Is Dangerous to Your Health.

Regular and Menthol: 3 mg. "tar," 0.4 mg. nicotine av. per cigarette by FTC Method.